K LASER TECHNOLOGY INC.

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K Laser Technology Annual Report 2015

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K LASER TECHNOLOGY INC.

Annual Report 2015

Printed on May 12, 2016

Contents

To Shareholders

Summary

K Laser Group's consolidated annual sales in 2015 was 4.057 billion NT dollars, decreasing about 3.8% than the previous year. The gross profit margin was 24% which was 3% lower than in 2014. The operating income was 290 million NT dollars, growing 6.4% from 2014. Net income for 2015 was 164 million NT dollars, and EPS was 1.12 NT dollars.

K Laser China Group's sales in 2015 grew 7.2% and gross profit margin increased 2% compared to 2014. Also, the expenses were 10 million RMB lower than 2014. Therefore, the earnings after tax doubled to 39 million RMB. About other overseas subsidiaries, only K Laser Japan and K Laser Korea reported profit loss in 2015, but K Laser Korea's loss had been significantly narrowed. K Laser USA, Dubai, and India had profit growth in 2015.

Technology Development

1. Following the successful penetration to the US and European markets in 2014 with our industry –leading true seamless hologram PET film, we have been working closely with several renowned brands for custom designs. Those projects allow us to build barriers to competitors and grow our market share. We also are continuously enhancing our true seamless technology to improve yield rate and lower down our production costs.
2. Our lens film began to sell in Europe in 2015 and was used for the packaging of cosmetics and daily care products of several brand names. We will continue to develop more lens patterns to increase sales of this product line. Meanwhile, we will endeavor to solve the production issues of deep groove products to improve their gross profits.
3. Due to fierce competition and price falls, the sales growth of cold foil in 2015 slowed down. To keep our sales strong and maintain our market share, we had invested in the development of more hologram patterns and applications, for example the application of cold foil on shrink film.

Our Strategy and Global Situation

Our product technology strategy in 2016 is to focus on refining our true-seamless technologies and creating more true-seamless patterns. That will allow us to switch most orders to true-seamless process, to cultivate new markets such as label and soft packaging markets, and to break into the vast lower-end markets with low cost materials. In the meantime, we will continue to develop deep-groove origination and provide more high-end designs, such as lens and stereo-relief patterns. Through the deep-groove origination technology and true-seamless technology, we will be able to combine hologram, lens and stereo-relief patterns freely to create unprecedentedly diversified designs. That will be a new uncontested market where we can enjoy better profits as a trendsetter.

Other than technology, we also adjust our business strategy to focus more on the consumer market and reduce the sales percentage of cigarette packaging. We will also spend more efforts in the US and European markets, and explore Indian and South East markets. To carry through the business strategies, we already established an International Business Unit (IBU) to integrate and reallocate resources in the Group. We will continue to enhance the functions of the IBU to optimize the benefit of the whole Group.

While we strengthen our competitiveness through technology and strategic management, we are concerned about the world’s economy and weak global demand, especially when we see China’s economy continue to slow and credit risk increase, and the European and Japanese economies continue to struggle despite the implementation of quantitative ease and negative interest rate policies. In international political situations, in addition to the US presidential election that may affect global economy, there are also many complicated regional conflicts that are inter-related and may cause butterfly effects, for example, the EU crises, the clashes among religious groups in the Middle East, the Ukraine crisis, the North Korean nuclear crisis, … etc. Those geopolitical conflicts pose great uncertainties and challenges to the world’s economy this year. We will pay close attention to the development of global and regional situations and do diligent management to control risks.

Finally, we would like to express our gratitude to our shareholders for your supports and our employees for their great efforts. We will keep the great spirit of teamwork and continue to lead K Laser successfully in the future

Sincerely,

Alex Kuo
Chairman

Sincerely,

Howard Chen
General Manager

Corporate Overview

Corporate Profile

Date of Incorporation: April 29, 1988

Major Milestones

1988 In April, established at Hsin-Chu SBIP to manufacture Holographic security labels.

1989 Develop the recombination technology and the application of products to enlarge market share.

1990 Introduced 15 cm wide holographic film materials.

1991 Developed the 30 cm embossing machine, put the holographic PVC film and the hologram Self-Adhesive sticker on the market.

1992 (1) Introduced 60 cm and 80 cm wide holographic materials.

(2) Established In-House Mastering Capability.

1993 (1) US Subsidiary - AMAGIC Holographics, Inc. established. (2) Invested Univacco Technology, Inc.

1994 (1) China Subsidiary - Shanghai Amagic Laser Material Co., Ltd. established.

1995 (1) Launch the holographic box and the transparent hologram security film.

(2) Invested Hon Jann Aluminum Paper Products MFG. Ltd.

1996 (1) Matched the requirement of Public Company. (2) Opto- Electronics Business Unit Established.

(3) Received Award for SBIP Innovation Project. (4) Introduced Color-Laser OPPmaterials.

(5) Dubai & Thailand Subsidiaries established.

1997 (1) Received Outstanding OE Manufacturer Award.

(2) Established Subsidiary - Dong Guan Yat Mei Laser Printing Co.,Ltd.

1998 (1) Introduced 100 cm wide holographic materials. (2) ISO 9001 certified.

(3) Received Best OE Product Award for Phase-shift Fizeau Interferometer

1999 Public listed on OTC of Taiwan Stock Market.

2000 Received Small and Medium Enterprise Award, Ministry of Economic Affair, ROC.

2001 (1) HQs grand opening. (2) Public listed on SFC of Taiwan Stock Market.

(3) Received National Award of Small and Medium Enterprises. (4) Established US RD center.

(5) China Subsidiaries – Wuxi K Laser and K Laser Dong Guan established.

(6) MEMS Subsidiary – Ligh Tuning Technology Inc. established.

(7) Electronics Subsidiary – Everest Display Inc. established.

2002 (1) Issued ECB. (2) K Laser Technology (Korea) Co., Ltd. Established.

2003 (1) K Laser Technology Japan Co., Ltd established.

(2) K Laser Technology Europe B.V. established.

2004 (1) Invested Optivision Technology Inc. (2) Issued Private Fund.

(3) Redeem all the outstanding ECB.

2005 (1) In July, K Laser China Group Co., Ltd. cash fund raised USD$7.5 million.

(2) Syndicated loan NTD$720 million.

2006 (1) In June, issued 6,500(thousand shares) Private Fund invested by OAK Capital Corporation NT$ NTD$12.03 million.

(2) For business strategy, issued Private Fund invested by Amcor Fibre Packaging-Asia Pte Ltd. NTD$11.20 million in July.

2007 (1) In November, issued 500 Million 1st Unsecured Corporate Bonds.

(2) Private Fund 23,950(thousand shares) issued in 2004, went pubic in Jan.2008.

2008 (1) K Laser Technology (Korea) Co., Ltd. set up manufacture site to increase its local competitiveness.

(2) K Laser Technology (Thailand) Co., Ltd. purchased land and built new factory locally.

2009 (1) In 2006 supplemented the public issuance of the private placement of securities. Issued 13,089 (thousand shares) privately placed shares and the shares with the stock dividends distribution that were listing in August and November, 2009, respectively.

(2) In October, acquired ownership of 450,000 the private placement of common shares of Optivision Technology Inc.

(3) In December, paid off 1st Unsecured Corporate Bond.

2010 (1) In March, issued 15,000 (thousand shares) Private Placement of Securities subscribed by CHIMEI Corporation at a price of NTD$ 277.5 million.

(2) Issued all of its stocks and bonds in dematerialized form

(3) Restructured K Laser China Group Co., Ltd. (KLCN). Now the Company holds 100% shares of KLCN and KLCN holds 67% shares of K Laser China Group Holding Co., Limited.

2011 In September, issued 300 Million 2nd Secured Convertible Bonds and 200 Million 3rd Unsecured Convertible Bonds.

2012 (1) Launch the true seamless hologram film.

(2) The clean room expansion.

(3) In November, acquired ownership of 4,200,000 the private placement of common shares of Optivision Technology Inc.

2013 In March, paid off 3rd Unsecured Corporate Bond.

2014 (1) In September, Complete the conversion of the 2nd Secured Convertible Bond.

(2) In October, issued 300 Million 4th Secured Convertible Bonds and 200 Million 5th Unsecured Convertible Bonds.

(3) In December, the subsidiary Optivision Tech. Inc. public listed on OTC of Taiwan Stock Market.

(4) The RD plan obtained the subsidy from Industrial Development Bureau, Ministry of Economic Affairs

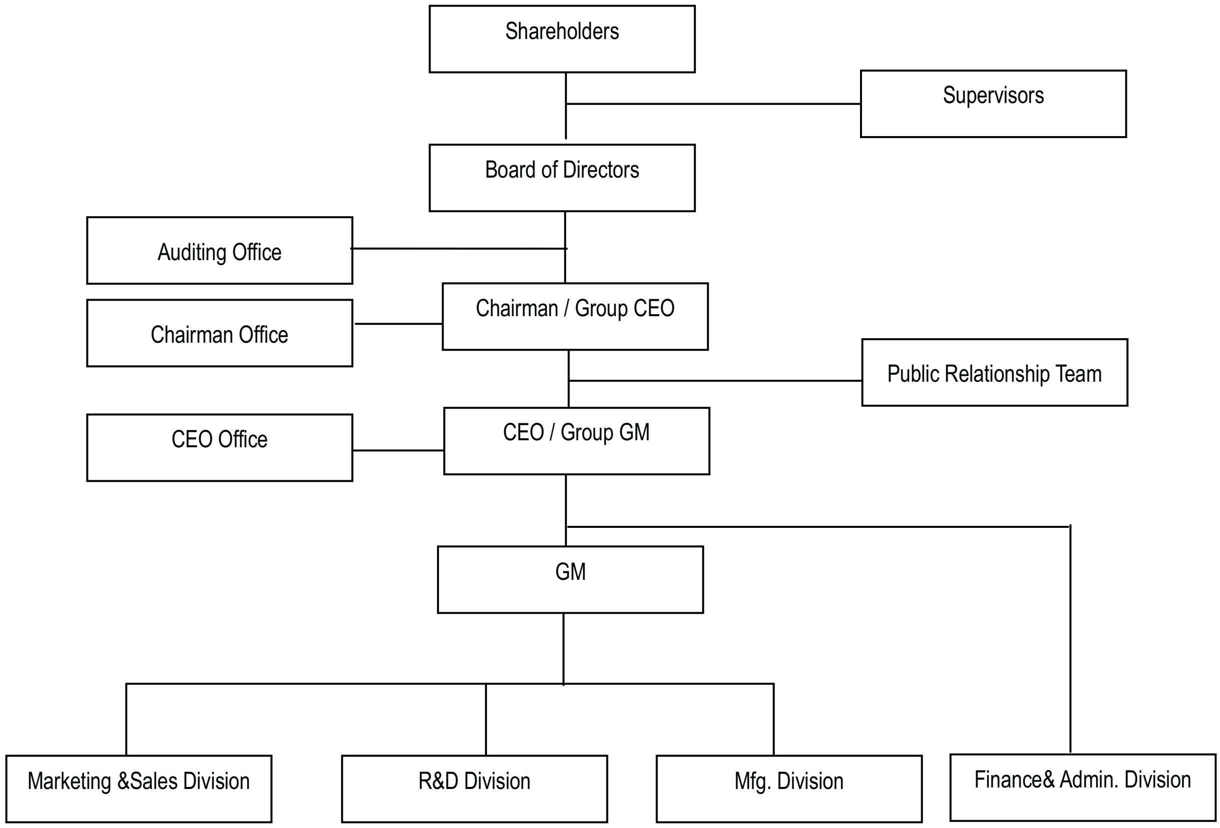
2015 (1) Expansion of clean room.

(2) Invested Insight Medical Solutions Inc.

Corporate Governance

1. Organization System

1.1 Organization Chart



1.2 Functional Major Departments

Major Departments	Functions
Chairman Office	• Business Development. • Public Relationship.
CEO Office	• Company management. • Subsidiaries management.
Auditing Office	• To evaluate the accuracy, reliability, efficiency, and effect of internal control. • To provide the suggestion, improve the business efficiency and ensure the internal control system is implemented effectively.
Finance & Admin. Division	• Financial planning, cash management, accounting and shareholder related business. • Subsidiaries supporting. • Human resource, training and general affairs. • IT development and ERP implementation.
Mfg. Division	• Manufacturing.
R&D Division	• R&D.
Marketing &Sales Division	• Marketing, sales and exporting

2 Directors and Supervisors & Major Officers

2.1 Directors and Supervisors

2016.03.29

Title	Name	Elected Date	Term (Years)	First Elected Date	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding Entitled Other Name		Experience and Education	Other Current Positions	Managers, Directors or Supervisors Who Are Spouse or Within 2 Degrees of Consanguinity to Each Other		
					Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	Alex Kuo	2014.06.18	3	1988.03.16	10,187,756	6.01	10,187,756	7.69	752,980	0.57	—	—	• Ph.D. in EE, SUNY Stony Brook, NY	• Chairman • CEO, K Laser Group.	Director Director	Daniel Kuo Lisa Hsu	Second degree relatives Spouse
Director	Daniel Kuo	2014.06.18	3	1992.06.21	1,342,254	0.79	1,342,254	1.01	4,572	—	—	—	• MS in Civil Engineering, NJIT, NJ.	• Chairman, OTI.	Chairman Director	Alex Kuo Lisa Hsu	Second degree relatives
Director	Lisa Hsu	2014.06.18	3	2011.06.17	752,980	0.44	752,980	0.57	10,187,756	7.69	—	—	• Computer Science, BS , New York Institute of Technology	• Deputy Spokesman • Supervisor, Everest Display Inc.	Director Chairman	Daniel Kuo Alex Kuo	Second degree relatives Spouse
Director	Howard Chen	2014.06.18	3	2014.06.18	576,194	0.34	576,194	0.43	7,590	0.01	—	—	•MS in Electrical Engineering, University of Southern California	• GM	—	—	—
Independent Director	Cheng Sang Huang	2014.06.18	3	2002.05.17	—	—	—	—	—	—	—	—	• MS in Industrial Management, National Cheng Kung University • President, Business Management Consultants Association of Republic of China • GM, Sunsino Ventures Group. • Secretary General, MIT Enterprise Forum of Taiwan • Director, Small Business Integrated Assistance Center	• Supervisor, Niko semiconductor Co., Ltd.	—	—	—
Independent Director	Gen-Sen Chang-Hsieh	2014.06.18	3	2011.06.17	—	—	—	—	476	—	—	—	• MBA, Irvine University , California • Financial account, AAA investment department of American Automobile Association • Manager, Real estate and loan broker • CPA, Wu, Liang, & Huang CPAs LLP	—	—	—	—
Independent Director	Chi Chang Lu	2014.06.18	3	2014.06.18	—	—	—	—	—	—	—	—	• Mechanical Engineering, National Taiwan University • Passed the professional qualification examinations for CPA and CSIA • Mechanical engineer, Formosa Plastics Corp. • A partner with Deloitte Taiwan	• Independent Director, Nyqest Technology Co.,Ltd. • Independent Director, Li Peng Enterprise Co., Ltd. • Independent Non-Executive Director, Eagle Nice (International) Holdings Limited. • Independent Director, Nyqest Technology Co.,Ltd. • Independent Non-Executive Director, Natural Beauty Bio-Technology Limited. • Member of Remuneration Committee, Global Brands Manufacture Limited • Member of Remuneration Committee, HannStar Board Corp.	—	—	—
Supervisor	Wei Chung Hung	2014.06.18	3	1999.05.29	1,059,692	0.63	1,059,692	0.80	—	—	—	—	• MBA, West Pacific Ocean University	• Director, D.S. Paper Co., Ltd. • General Manager of D.C. Paper	—	—	—
Supervisor	Ling Chiang Chao	2014.06.18	3	2011.06.17	6,410	—	6,410	—	8,230	0.01	—	—	• Electrical Engineering, National Taiwan University • EMBA, National Chiao Tung University	—	—	—	—

Major Institutional Shareholders：None.

Major Shareholders of the Corporate Shareholders：None.

Directors and Supervisors Remuneration in 2015

Unit: NT$ thousands

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="8">Remuneration</th><th rowspan="2" colspan="2">Amount as a % of 2015 Net Income (A+B+C+D)</th><th colspan="10">Employee Remuneration</th><th rowspan="2" colspan="2">Amount as a % of 2015 Net Income (A+B+C+D+E+F+G)</th><th rowspan="3">Compensation from other K Laser Invest Companies (J)</th></tr>
<tr><th colspan="2">Honorarium (A)</th><th colspan="2">Retirement pay (B)</th><th colspan="2">Director, and Supervisor Compensation (C) (Note 1)</th><th colspan="2">Transportation Allowance (D)</th><th colspan="2">Bonus and Special Remuneration (E)</th><th colspan="2">Retirement pay (F)</th><th colspan="4">Employee Compensation (G) (Note 1)</th><th colspan="2">Number of Employee Stock Options (Thousands shares) (H)</th></tr>
<tr><th>K Laser</th><th>Sub.</th><th>K Laser</th><th>Sub.</th><th>K Laser</th><th>Sub.</th><th>K Laser</th><th>Sub.</th><th>K Laser</th><th>Sub.</th><th>K Laser</th><th>Sub.</th><th>K Laser</th><th>Sub.</th><th>K Laser Cash Bonus</th><th>K Laser Stock Bonus</th><th>Sub. Cash Bonus</th><th>Sub. Stock Bonus</th><th>K Laser</th><th>Sub.</th><th>K Laser</th><th>Sub.</th></tr>
<tr><td>Chairman</td><td>Alex Kuo</td><td>—</td><td>—</td><td>—</td><td>—</td><td>661</td><td>661</td><td>42</td><td>42</td><td>0.43%</td><td>0.43%</td><td>2,807</td><td>2,807</td><td>—</td><td>—</td><td>1,246</td><td>—</td><td>1,246</td><td>—</td><td>—</td><td>—</td><td>2.89%</td><td>2.89%</td><td>650</td></tr>
<tr><td>Director</td><td>Daniel Kuo</td><td>—</td><td>3,885</td><td>—</td><td>—</td><td>396</td><td>831</td><td>42</td><td>84</td><td>0.27%</td><td>2.92%</td><td>—</td><td>3,190</td><td>—</td><td>—</td><td>575</td><td>—</td><td>785</td><td>—</td><td>—</td><td>—</td><td>0.62%</td><td>5.34%</td><td>—</td></tr>
<tr><td>Director</td><td>Lisa Hsu</td><td rowspan="5">—</td><td rowspan="5">—</td><td rowspan="5">—</td><td rowspan="5">—</td><td rowspan="5">661</td><td rowspan="5">661</td><td rowspan="5">231</td><td rowspan="5">231</td><td rowspan="5">0.54%</td><td rowspan="5">0.54%</td><td rowspan="5">2,717</td><td rowspan="5">2,717</td><td rowspan="5">108</td><td rowspan="5">108</td><td rowspan="5">554</td><td rowspan="5">—</td><td rowspan="5">554</td><td rowspan="5">—</td><td rowspan="5">—</td><td rowspan="5">—</td><td rowspan="5">2.60%</td><td rowspan="5">2.60%</td><td rowspan="5">—</td></tr>
<tr><td>Director</td><td>Howard Chen</td></tr>
<tr><td>Independent Director</td><td>Cheng Sang Huang</td></tr>
<tr><td>Independent Director</td><td>Gen-Sen Chang-Hsieh</td></tr>
<tr><td>Independent Director</td><td>Chi Chang Lu</td></tr>
<tr><td>Supervisor</td><td>Wei Chung Hung</td><td rowspan="2">—</td><td rowspan="2">—</td><td rowspan="2">—</td><td rowspan="2">—</td><td rowspan="2">264</td><td rowspan="2">264</td><td rowspan="2">78</td><td rowspan="2">78</td><td rowspan="2">0.21%</td><td rowspan="2">0.21%</td><td rowspan="2">—</td><td rowspan="2">—</td><td rowspan="2">—</td><td rowspan="2">—</td><td rowspan="2">—</td><td rowspan="2">—</td><td rowspan="2">—</td><td rowspan="2">—</td><td rowspan="2">—</td><td rowspan="2">—</td><td rowspan="2">0.21%</td><td rowspan="2">0.21%</td><td rowspan="2">—</td></tr>
<tr><td>Supervisor</td><td>Ling Chiang Chao</td></tr>
</table>

Note 1：The proposed compensation is based on the actual ratio of the 2014 distribution, which was approved by the 2016 Board.

Compensation Range of Director	Name of Director			
	Total Amount (A+B+C+D)		Total Amount (A+B+C+D+E+F+G+J)	
	K Laser	Sub.	K Laser	Reinvestment Business
Below NT$ 2 million	Alex Kuo / Daniel Kuo / Lisa Hsu / Howard Chen / Cheng Sang Huang / Gen-Sen Chang-Hsieh / Chi Chang Lu	Alex Kuo / Lisa Hsu / Howard Chen / Cheng Sang Huang / Gen-Sen Chang-Hsieh / Chi Chang Lu	Daniel Kuo / Lisa Hsu / Cheng Sang Huang / Gen-Sen Chang-Hsieh / Chi Chang Lu	Lisa Hsu / Cheng Sang Huang / Gen-Sen Chang-Hsieh / Chi Chang Lu
NT$ 2 million～NT$ 5 million	—	Daniel Kuo	Alex Kuo / Howard Chen	Howard Chen
NT$ 5 million～NT$ 10 million	—	—	—	Alex Kuo / Daniel Kuo
Over NT$ 10 million	—	—	—	—
Total	7 persons	7 persons	7 persons	7 persons

Compensation Range of Supervisor	Name of Supervisor	
	Total Amount (A+B+C+D)	
	K Laser	Sub.
Below NT$ 2,000,000	Wei Chung Hung / Ling Chiang Chao	Wei Chung Hung / Ling Chiang Chao
Over NT$ 2,000,000	—	—
Total	2 persons	2 persons

Directors' and Supervisors' Professional Knowledge and Independence Information

Qualification / Name	Professional qualification requirements, together with at least five years work experience			Independence Status (Note 1)										Holds a concurrent post of independence director of other public release company.
	An instructor or higher in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college, or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company.	1	2	3	4	5	6	7	8	9	10	
Alex Kuo	—	—	✓	—	—	—	—	✓	✓	✓	—	✓	✓	—
Daniel Kuo	—	—	✓	—	—	—	—	✓	✓	✓	—	✓	✓	—
Lisa Hsu	—	—	✓	—	—	—	—	✓	✓	✓	—	✓	✓	—
Howard Chen	—	—	✓	—	—	✓	—	✓	✓	✓	✓	✓	✓	—
Cheng Sang Huang	—	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Gen-Sen Chang-Hsieh	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	—
Chi Chang Lu	—	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Wei Chung Hung	—	—	✓	✓	—	✓	✓	✓	✓	✓	✓	✓	✓	—
Ling Chiang Chao	—	—	✓	✓	—	✓	✓	✓	✓	✓	✓	✓	✓	—

Note 1:

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the Company's affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent Company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, children of minor age, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of issued shares of the Company or ranking in the top 10 in holdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.

(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the Company or that holds shares ranking in the top five in holdings.

(6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified Company or institution that has a financial or business relationship with the Company.

(7) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, Company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. The same does not apply, however, in cases where the Compensation committee member exercises of power per the Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.

(8) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.

(9) Not been a person of any conditions defined in Article 30 of the Company Law.

(10) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

2.2 Major Officers' Information

2016.03.29

Title	Name	Employed Date	Current Shareholding		Spouse & Minor Shareholding		Shareholding Entitled Other Name		Experience and Education	Other Current Positions	Managers Who Are Spouse or Within 2 Degrees of Consanguinity to Each Other		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
CEO, K Laser Group.	Alex Kuo	2002.08.21	10,187,756	7.69	752,980	0.57	—	—	• Ph.D. in EE, SUNY Stony Brook, NY • Chairman, K Laser Group.	—	—	—	—
GM	Howard Chen	2013.12.16	576,194	0.43	7,590	0.01	—	—	• MS in Electrical Engineering, University of Southern California • Special Assistant of Chairman, K Laser Technology Inc.	—	—	—	—
Director, R&D Division	Bingo Lo	2012.08.30	—	—	—	—	—	—	• Ph.D. in Mechanical Engineering, National Chiao Tung University • V.P., Optivision Technology Inc.	—	—	—	—
Manager, Auditing Office	Vincent Tsai	2013.06.20	750	—	—	—	—	—	• M.Acc, SUNY • Special Assistant , Chairman office of K Laser Technology Inc.	—	—	—	—
Director, F&A Division	Teresa Huang	2006.01.03	118,016	0.09	—	—	—	—	• M.Acc, Bentley U., U.S.A • Finance Manager of K Laser	• Supervisor, Rongsheng Trading Co., Ltd.	—	—	—
Accounting officer	Serena Hung	2013.08.13	—	—	—	—	—	—	• MS in Management Science, National Chiao Tung University • Manager, K Laser Technology Inc.	—	—	—	—
Financial officer	Rich Yuan	2013.08.13	—	—	—	—	—	—	• MS in Finance, National Chiao Tung University • Manager, K Laser Technology Inc.	—	—	—	—

President Remuneration in 2015

Title	Name	Salary(A)		Retirement pay (B)		Bonus and Special Remuneration (C)		Employee Compensation (Note1) (D)				Total Amount as a % of 2015 Net Income		Number of Employee Stock Options (Thousands shares)		Compensation from other K Laser Invest Companies (E)
		K Laser	All consolidated entities	K Laser	All consolidated entities	K Laser	All consolidated entities	K Laser		All consolidated entities		K Laser	All consolidated entities	K Laser	All consolidated entities	
								Cash Bonus	Stock Bonus	Cash Bonus	Stock Bonus					
CEO, K Laser Group.	Alex Kuo	4,200	4,200	108	108	712	712	1,629	—	1,629	—	4.05%	4.05%	—	—	650
GM	Howard Chen															

Note1: The proposed compensation is based on the actual ratio of the 2014 distribution, which was approved by the board of directors in 2016.

Compensation Range of General Manager and Assistant GM	Number of General Manager and Assistant GM	
	K Laser (A+B+C+D)	Reinvestment Business (A+B+C+D+E)
Below NT$ 2,000,000	—	—
From NT$ 2,000,000～NT$ 5,000,000	Alex Kuo / Howard Chen	Alex Kuo / Howard Chen
From NT$ 5,000,000～NT$ 10,000,000	—	—
Total	2 persons	2 persons

Major Officers' Employee Compensation

2016.03.29 / Unit：NT$ Thousands

	Title	Name	Stock Bonus	Cash Bonus	Total Amount	Total Amount as a % of 2011 Net Income
Major Officers	CEO, K Laser Group.	Alex Kuo	—	2,989	2,989	1.82
	GM	Howard Chen				
	Director, R&D Division	Bingo Lo				
	Manager, Auditing Office	Vincent Tsai				
	Director, F&A Division	Teresa Huang				
	Accounting officer	Serena Hung				
	Financial officer	Rich Yuan				

Note: The proposed compensation is based on the actual ratio of the 2014 distribution, which was approved by the board of directors in 2016.

Total remuneration as a percentage of net income as paid by the company,and by each other company included in the consolidated financial statements, during the past two fiscal years to its Directors, Supervisors, the General Manager, and Assistant General Managers, and description of remuneration policies, standards, packages, procedures for setting remuneration, and linkage to performance.

Unit：NT$ Thousands

Title	2014				2015			
	The company		Companies in the consolidated financial statements		The company		Companies in the consolidated financial statements	
	Remunerations (Item A)	Percent of Remunerations over net profit (%)(Item B)	Item A	Item B (%)	Item A	Item B (%)	Item A	Item B (%)
Director	8,183	9.02%	16,021	17.67%	10,039	6.11%	17,800	10.83%
Supervisor	227	0.25%	227	0.25%	342	0.21%	342	0.21%
GM and Assistant GM	5,870	6.47%	5,951	6.56%	6,649	4.05%	6,649	4.05%

Note: (1) The remuneration program to the directors and supervisors are designed, in accordance with the Company's Article , the participation level of the operation, the contribution to the Company, and the industrial level of Taiwan.

(2) The remuneration program and policy to the General Manager and Assistant GM are designed based on the policy as approved by the board of directors, and the evaluation of the performance of that year.

(3) The remunerations of 2014 have been paid. Part of Compensation in 2015 will be planned for remunerations.

3. Corporate Governance

3.1 The state of operation of Board of Directors

There Board of Directors conducted 7 meetings in 2015. The directors' attendance status is as follows:

Title	Name	Actual attendance number of times	Agency attendance number of times	Actual attendance	Remarks
Chairman	Alex Kuo	7	0	100%	—
Director	Daniel Kuo	7	0	100%	—
Director	Lisa Hsu	7	0	100%	—
Director	Howard Chen	7	0	100%	—
Independent Director	Cheng Sang Huang	7	0	100%	—
Independent Director	Gen-Sen Chang-Hsieh	6	1	100%	—
Independent Director	Chi Chang Lu	7	0	100%	—

Other matters to be included:

(1) The matters listed in Securities and Exchange Act Article14-3, when an independent director expresses opposition or reservation, it shall be noted in the minutes of the directors meeting: None.

(2) If there is Directors' avoidance of motions in conflict of interest, the Directors' names, contents of motions, causes for avoidance and voting should be specified:

- Pursuant to Procedural Rules of Board Meeting of the Company, a Director may not participate in the discussion or vote in respect to any matter, in which such Director bears a personal interest which may conflict with and impair the interest of the Company; provided, however, that such Director may express his or her opinion and respond to inquiries. Such Director shall excuse him of herself during discussion and voting and may not exercise voting rights on behalf of other Directors.
- If a Director violates the avoidance of motion and exercises his/her vote, the vote is invalid.
- The motions in conflict of interest: None.

(3) Target to strengthen the functions of board for year and recent years (For example, establish an audit committee to enhance transparency of information, etc.) and assessment of implementation：

2014 General Shareholders' Meeting selected 7 directors of the board, included 3 independent directors, to enhance the function of supervision the operating of company and to achieve healthy corporate governance.

3.2 The Operation of the Audit Committee Work within the Board of Directors of the Company

Some of our directors and supervisors having accounting and financial background, therefore our company, although has not set up Audit Committee currently, but still conforms with corporate governance necessary and can performs the same function as Audit Committee does. The Company plan to amend the Company's Article to set up Audit Committee to replace the role of Supervisors.

3.3 Supervisors' involvement in the operation of the Board of Directors

There Board of Directors conducted 7 meetings in 2015. The supervisors' attendance status is as follows:：

Title	Name	Actual attendance number of times	Actual attendance	Remarks
Supervisor	Wei Chung Hung	7	100%	—
Supervisor	Ling Chiang Chao	6	86%	—

Other matters to be included:

1. The composition and duties of supervisors:

(1) The communication among Supervisors, employees and shareholders:

The Supervisors, in addition to attend the Board Meeting to oversee the meeting operation and also fully understand the structure of shareholders and the functions of each department of the Company. The Supervisors contacts with the mangers through meeting or telephone. Therefore, the Supervisors have established the appropriate channels of communication with employee and shareholders.

(2) The communication among Supervisors, internal auditors and CPA (such as the issue of finance, business and the methods, results, etc.):

Supervisors, internal auditors and CPA can discuss all issues, including financial announcement procedures, internal control system, the suggestions proposed by others and the performance of management, through meeting or telephone, Therefore, they have established the appropriate channels of communication with internal auditors and CPA.

2. If Supervisors state their opinions in the Board Meeting, such opinions should be recorded, including the date, the agenda, the Board resolution, and the Company action to the opinions：None

3.4 Corporate Governance Status in Compliance with the Corporate Governance Guidance Rules for Listed Companies

<table>
<tr><th rowspan="2">Items</th><th colspan="3">Implementation Status</th><th rowspan="2">Remark</th></tr>
<tr><th>Y</th><th>N</th><th>Description</th></tr>
<tr><td>1. The establishment and disclosure of Company's Own Corporate Governance Guidance.</td><td></td><td>✓</td><td>The Company has not yet established the Guidance of Corporate Governance. For the status of the Company's corporate governance, please refer to "Corporate Governance" section of this Annual Report.</td><td>None</td></tr>
<tr><td>2. Shareholding Structure & Shareholders' Rights
(1) Method of handling shareholder suggestions or complaints
(2) The Company's possession of a list of major shareholders and a list of ultimate owners of these major shareholders
(3) Risk management mechanism and "firewall" between the Company and its affiliates
(4) Method of prohibiting the Company's insider to trade the Company's stock by using non-public information</td><td>✓</td><td></td><td>(1) The Company has designated the spokesman、the deputy spokesman and responsible personnel to handle shareholder' s suggestions or complaints.
(2) The Company has appointed responsible personnel to manage the list of major shareholders and the ultimate owners.
(3) The obligations and rights between the Company and its affiliates have been clearly defined. Any transaction between the Company and its affiliates complies with the internal control system.
(4) The Company has established the method to prohibit the Company's insiders to trade the Company's stock by using non-public information.</td><td>None</td></tr>
<tr><td>3. Composition and Responsibilities of the Board of Directors
(1) The composition of the board of directors is determined by taking diversity into consideration
(2)The establishment of functional committees such as the nomination or compensation committees by Company
(3) The Company formulate rules and procedures for board of directors performance assessments
(4)Regular evaluation of CPAs' independence</td><td>✓</td><td></td><td>(1) In order to diversify the structure of Board of Directors, The members of the Boards include different professions, genders, and working experience.
(2) The Company has set up the compensation committee. If it is necessary, the Company would set up other committees to meet the business requirement.
(3) The Company has established the rules and procedures to evaluate the performance of the board of directors, and the evaluation would be done before the annual General Shareholder Meeting on an annual basis
(4) The Company reviews the auditors' independence annually. The Company has established the procedure of evaluation of CPA's independence, and is approved by the board of directors on 2015/11/10. In accordance with the result of the evaluation, CPA Hong-Bin, Yu, and CPA Ke-Chang, Wu are both met the requirement of independence, and have provided the statement of independence to the Company.</td><td>None</td></tr>
<tr><td>4. Establishment of Communication Channels with Shareholders</td><td>✓</td><td></td><td>Our company has establishment of an official channel and website for suppliers、customers、banks and shareholders to respond all significant issues that they concern.</td><td>None</td></tr>
<tr><td>5. The company engage a professional shareholder services agent to handle shareholders meeting matters</td><td>✓</td><td></td><td>The company has engaged a professional shareholder services agent to handle shareholders meeting matters.</td><td>None</td></tr>
<tr><td>6. Information Disclosure
(1) Establishment of a website where information on financial operations and corporate governance is disclosed.
(2) Other information disclosure channels (e.g., maintaining an English-language website, appointing responsible people to handle information collection and disclosure, appointing spokespersons, webcasting investors conference)</td><td>✓</td><td></td><td>(1) The company both Chinese and English website at http://www.klasergroup.com is constantly updated to provide the latest information.
(2) The company has designated appropriate employees to disclose information and announcement at government website, MOPS: http://newmops.tse.com.tw</td><td>None</td></tr>
<tr><td>7. Any Other Information Regarding Corporate Governance (including but not limited in employee rights and interests, employee care, investor relations, supplier relations and rights of Shareholders, professional development of the Board of Directors, Supervisors, and managerial officers, status of implementation of risk management policies and standards for measurement of risk, status of customer- protection policy implementation, and liability insurance provided by the Company to the Board of Directors and Supervisors) :</td><td>✓</td><td></td><td>(1) The Company's directors and supervisors are all professional and engaged in relative business. The independent directors take the professional training course no less than 3 hours. The Company also provides information related to professional educational opportunities to all directors and supervisors.
(2) Risk management policies and risk of the implementation of standards: Please refer to "Details of other important risks and response measures".
(3) The implementation of the policy of the protection of consumers or customers: The Company has appointed responsible personnel for customer's complaint and product quality issue.
(4) Liability Insurance provided by the Company for its Directors and Supervisors: The company has purchased liability insurance amounting to USD 3 million for its directors and supervisors from Nov.5 2015 to Nov.5 2016.</td><td>None</td></tr>
<tr><td>8. If the Company has a self corporate governance evaluation or has authorized any other professional organization to conduct such an evaluation.</td><td></td><td>✓</td><td>None.</td><td>None</td></tr>
</table>

Remark: Deviations from "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and reasons.

3.5 The composition, duties, and operation of the compensation committee

3.5.1 The compensation committee members' Professional Knowledge and Independence Information

Qualification / Name	Professional qualification requirements, together with at least five years work experience			Independence Status (Note 1)								Number of other public companies concurrently serving as an Compensation Committee member	Note 2
	An instructor or higher in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, college, or university	A judge, public prosecutor, attorney, certified public accountant,or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Have work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company.	1	2	3	4	5	6	7	8		
Gen-Sen Chang-Hsieh	－	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	－
Cheng Sang Huang	－	－	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	－
Chi Chang Lu	－	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	－

Note 1:

(1) Not an employee of the company, or any affiliates.
(2) Not a director, supervisor of the company, or any of its affiliates. (The person is an independent director of the company, its parent company, or any subsidiary in which the company holds, directly or indirectly, more than 50 percent of the voting shares)
(3) Not a individual shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings
(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
(5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company or that holds shares ranking in the top five in holdings.
(6) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.
(7) A professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof.
(8) Not any of the circumstances in the subparagraphs of Article 30 of the Company Act.

Note 2：If the member of compensation committee is a director(excluding independent director), please state whether he/she conforms to "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter", Section 6.5.

3.5.2 Involved in the operation of the compensation committee

1. The Company's Compensation Committee is comprised of three persons.
2. Term for the Current Committee Members: 2014.06.18 to 2017.06.17. The Compensation Committee held 3 meeting in 2015:

Name	Actual attendance number of times	Agency attendance number of times	Actual attendance	Remarks
Gen-Sen Chang-Hsieh	3	0	100%	－
Cheng Sang Huang	3	0	100%	－
Chi Chang Lu	3	0	100%	－
Other matters to be included：： 1. There was no suggestion recommended by the Compensation Committee not being accepted or being amended by the Board of Directors during the preceding fiscal year. 2. There was no Compensation Committee member expressing opposition or reservation with respect to any Compensation Committee meeting during the preceding fiscal year, and no written record or written statement of related resolutions.				

3.6 Social responsibility

Item	Implementation Status			Remark
	Y	N	Description	
1. Exercising Corporate Governance (1) The company adopted corporate social responsibility policies and systems, and its examination of the effectiveness of their implementation. (2) The company holds the corporate social responsibility training and education periodically. (3) The operational status of the unit established by the company with exclusive or concurrent responsibility for CSR matters. The higher-level management is authorized by the Board of Directors to handle the matter and report to the Board on its handling. (4) The company adopted a fair and reasonable salary and compensation policy, integrated CSR into employee performance evaluation system, and instituted a clear and effective reward and punitive system.	✓		(1) Based on company operating ideal and prospect, to fulfill our social duty, the Board has approved the new by-law, Corporate Social Responsibility Policy . All of business operations follow up the by-laws and aggressively fulfill environment protection and energy saving. (2) The Company holds training for employees and introduces our corporate social responsibility philosophy. (3) The Company's Finance and Administration Division of the Company promotes the activities of Corporate Social Responsibility. The Company also establishes the by-laws about corporate governance, takes part in social welfare activities, and sets up the guidelines about environment protection and energy saving. Besides, it fulfills the relevant energy saving programs set by the authorities. (4) The Company establishes the rules and policy for employees' salary and compensation by consideration of industrial level and the performance of the employee. Through the training, company website, the Company make the announcement to the employees regarding the Company's business code, and encourage the employees to take part in those activities about social welfare and energy saving and also set up the employee's appraisal rules based on employee's performance and ethic.	None
2. Developing a Sustainable Environment (1) The Company endeavors to utilize all resources more efficiently and uses renewable materials which have a low impact on the environment. (2) The Company establishes proper environmental management systems based on the characteristics of their industries. (3) The Company monitors the impact of climate change on its operations and should establish company strategies for energy conservation and carbon and greenhouse gas reduction.	✓		(1) The Company establishes the relevant management process to improve the efficiency of resource utilization. In order for improving the utilization of water, the Company purchases the equipment and well maintained periodically, such as water chiller, and cooling towers, to enhance the recycle of water to reduce the consumption of carbon. (2) The Company has established the environment management system. The Company's manufacturing process does not cause the air pollution, the Company has been qualified and certified for water pollution control measure plans and have invested in equipment to handle the waste water in manufacturing. (3) The Company conducts several projects to reduce the impact on the environment within the daily operation, such as installation of LED light bulb, and paperless operation system.	None
3. Protecting Public Interest (1) The company has established the management methods and procedures, to comply with relevant regulations and International Covenant on Civil and Political Rights. (2) The Company has established an approach and channel for employee appealing and it is handled properly. (3) The company provides safe and healthy work environments for its employees, and organizes training on safety and health for its employees on a regular basis. (4) The Company has set up a system for the employees to communicate periodically and informed them through reasonable approaches about changes in operations that would cause a major impact. (5) The company has established an effective plan for the employees in training and career development.	✓		(1) Pursue to the Labor Standards Law, the Labor Health Insurance Act, the Employees' Welfare Funds Act, and the relevant laws, the Company regulates the by-laws about human resources and fulfills them. (2) The procedures for employee appealing are included in the Company's Working Rule and the employee's appeals are well handled. (3) We have periodically conducted the fire safety inspection and maintained the equipment such as drinking fountains for employee's health. Employee must take part in labor insurance and health insurance and pay the insurance premium according to the relevant regulations. Employees have the benefits such as regular health inspection and on-job training, which are compensated by the Company. The Company provides the safe and healthy working environment to keep the employees concentrated on job. (4) In order to improve the labor relation and working efficiency, there are regular meetings for employee and employer as a way of communication. (5) Since employee is the most valuable assets to the Company, the Company has established the effective career development plan for employee.	None

Item	Implementation Status			Remark
	Y	N	Description	
(6) In regards to R&D, purchases, production, operation, and procedures of service, the company has formulated polices that would protect consumers' rights, as well as procedures for appealing. (7) The Company has complied with regulations and international norms on marketing and marking for its products and services. (8) Before interacting with its suppliers, the Company has reviewed and assessed records of these suppliers in regards to whether they had negatively impacted the environment and society in the past. (9) The contract between the Company and its major suppliers included clauses of termination and removal of the contract should the suppliers be involved in violation of its CSR policies that cause a major impact to the environment and society.			(6) Regarding the protection of Customer's right, the Company has established relevant policy and creates the channel for customers to handle the customer's complaint on a timely basis. (7) The Company has complied with regulations and international norms on marketing and marking for its products and services. (8) The Company has reviewed and assessed records in regards to whether its suppliers had negatively impacted the environment and society in the past before interacting with them. (9) The contract between the Company and its major suppliers included clauses of termination and removal of the contract should the suppliers be involved in violation of its CSR policies that cause a major impact to the environment and society.	
4. Enhancing Information Disclosure (1) Status of disclosure on the company's website and MOPS of relevant and reliable information regarding corporate social responsibility.	✓		The Company has published the relevant materials about CSR on its website, http://www.klasergroup.com, and, in compliance with the Laws, has announced and declared them to improve information transparency.	None
5. If the Company has established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", please describe any discrepancy between the principles and their implementation: None				
6. Other important information to facilitate better understanding of the Company's corporate social responsibility practices: None				
7. If the products or corporate social responsibility reports have received assurance from external institutions, they should state so below: None				

Remark: Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and reasons.

3.7 The state of the company's performance in the area of good faith management and the adoption of related measures.

Item	Implementation Status			Remark
	Y	N	Description	
1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures (1) The Company discloses clearly for adopting ethical corporate management policies and procedures in its rules and external documents, and of the board of directors and the management in undertaking to rigorously and thoroughly enforce such policies. (2) The Company adopts a program to prevent unethical conduct, including its operational procedures, guidelines for ethical conduct, punishment of violence and complaint system. (3) The Company asserts, when establishing the program to prevent unethical conduct according to the article 7 of the Corporate Governance Best-Practice Principles for TSEC/ GTSM Listed Companies, to address which business activities within its business scope pose higher risk of unethical conduct, and to adopt preventive measures against it. .	✓		(1) The Company has clearly disclosed the ethical corporate management policies and procedures and the commitment of directors and the management in undertaking to rigorously and thoroughly enforce such policies in the Company's Memorandum and Articles, and external document. The Company establishes the by-law, Procedures for Verification and Disclosure of Material Information, and regulates the mechanism of processing and disclosure of material information. It prevents information from improper disclosure and assures the consistence and correctness of information disclosure to the public. Pursuant to Procedural Rules of Board Meeting of the Company, a Director may not participate in the discussion or vote in respect to any matter, in which such Director bears a personal interest which may conflict with and impair the interest of the Company; provided, however, that such Director may express his or her opinion and respond to inquiries. Such Director shall excuse him or herself during discussion and voting and may not exercise voting rights on behalf of other Directors. (2) The Company has adopted a program to prevent unethical conduct, including its operational procedures, guidelines for ethical conduct, punishment of violence and complaint system. (3) The Company has asserted, when establishing the program to prevent unethical conduct according to the article 7 of the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies, to address which business activities within its business scope pose higher risk of unethical conduct, and to adopt preventive measures against it.	None
2. Corporate Conduct and Ethics Compliance Practice (1) The Company exerts in its business activities to evaluate the counterparty the record of unethical conduct, and to include ethical conduct clauses in its business contracts. (2) The Company establishes and operates a dedicated (or part-time) unit with responsibility for the enforcement of ethical corporate management under the Board of Directors, and periodically report to the Board of Directors. (3) The Company adopts the policies for preventing conflicts of interest and offering appropriate channels for stating opinions, and the operation thereof. (4) The company establishes and operates the effective accounting systems and internal control systems for the enforcement of ethical corporate management, and of audits periodically by internal auditors or accounting firms. (5) The company holds internal or external education and training operations periodically.	✓		(1) The Company has exerted in its business activities to evaluate the counterparty the record of unethical conduct, and to include ethical conduct clauses in its business contracts. (2) The Company has established and operates a dedicated (or part-time) unit with responsibility for the enforcement of ethical corporate management under the Board of Directors, and periodically report to the Board of Directors. (3) The Company has adopted the policies for preventing conflicts of interest and offering appropriate channels for stating opinions, and the operation thereof. (4) The company has established and operates the effective accounting systems and internal control systems for the enforcement of ethical corporate management, and of audits periodically by internal auditors or accounting firms. (5) The company has hold internal or external education and training operations periodically.	None

<table>
<tr><th rowspan="2">Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Remark</th></tr>
<tr><th>Y</th><th>N</th><th>Description</th></tr>
<tr><td>3. Status of reporting system for the company
(1) The Company has adopted a system for reporting and rewarding, established a channel convenient for reporting, and assigned appropriate staffs responsible for handling issues for the reported parties.
(2) The Company has adopted a standard operating procedure for investigation of the reported matters, as well as relevant rules regarding confidentiality.
(3) The Company has adopted measures for protecting reporting parties from inappropriate treatment because of their acts of reporting</td><td>✓</td><td></td><td>The Company has established the by-law, Work Rules, and regulates regarding the reporting system, and protects the reporting parties from inappropriate treatment.</td><td>None</td></tr>
<tr><td>4. Information Disclosure
(1) To set up a corporate website or other information disclosure channel that publishes information relating to company’s corporate conduct and ethics.</td><td>✓</td><td></td><td>The Company has published the relevant materials about company’s corporate conduct and ethics on its website, http://www.klasergroup.com.</td><td>None</td></tr>
<tr><td colspan="5">5. If the company has established corporate governance policies based on TSE Corporate Conduct and Ethics Best Practice Principles, please describe any discrepancy between the policies and their implementation : None</td></tr>
<tr><td colspan="5">6. Other important information to facilitate better understanding of the company’s corporate conduct and ethics compliance practices (e.g., review the company’s corporate conduct and ethics policy) : None</td></tr>
</table>

Remark: Deviations from “corporate governance policies based on TSE Corporate Conduct and Ethics Best Practice Principles” and reasons.

3.8 For information on HTC's Guidelines for Corporate Governance and other codes of practice, please refer to the Company’s website at http://www.klasergroup.com

3.9 Execution of Internal Control System

3.9.1 Statement of Internal Control

Statement of Internal Control

Date: Mar. 10, 2016

Based on the findings of a self-assessment, K Laser Technology Inc states the following with regard to its internal control system during the period from January 1, 2015 to December 31, 2015:

1. KLT is fully aware the establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. KLT has established such a system aimed at providing reasonable assurance regarding the achievement of objectives to effectiveness and efficiency of operations (including profitability, performance, and safeguarding of assets), reliability of financial reporting, and compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three objectives mentioned above. Moreover, the effectiveness of an internal control system may be subject to changes of environment or circumstances. Nevertheless, the internal control system of KLT contains self-monitoring mechanisms, and KLT takes corrective actions whenever a deficiency is identified.
3. KLT evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (here in below, the “Regulations”). The criteria adopted by the Regulations identify five components of internal control based on the process of management control: (1) control environment, (2) risk assessment and response, (3) control activities, (4) information and communication, and (5) monitoring. Each component further contains several items. Please refer to the Regulations for details.
4. KLT has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, KLT believes that, during the year 2015, its internal control system (including its supervision and management of subsidiaries), as well as its internal controls to monitor the achievement of its objectives concerning operational efficiency, reliability of financial reporting, and compliance with applicable laws and regulations, were effective in design and operation, and reasonably assured the achievement of the above-stated objectives.
6. The Statement will be an integral part of KLT’s Annual Report and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement has been passed by the Board of Directors in their meeting held on Mar. 10, 2016, with zero of the seven attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

K Laser Technology Inc.

Alex Kuo,
Chairman

Howard Chen,
General Manager

3.9.2 External auditors' opinion on the Company's internal control：None.

3.10 Breach of Corporate Laws, Fines and Current Status：None

3.11 Major Decisions of Shareholder Meetings and Board Meetings

3.11.1 Board Meetings

(1) The 2nd Extraordinary Meeting of the 10th Term of Board of Directors
Date: 2015.06.16

1. Approved buy back 5,700 thousand shares of treasure stocks.

(2) The 3rd Extraordinary Meeting of the 10th Term of Board of Directors
Date: 2015.07.15

1. Approved to capital reduction via buy back treasure stock, the 21st.
2. Approved the amendments of Operational Procedures for subsidiary Loaning Funds to Others and Endorsements / Guarantees.

(3) The 6th Meeting of the 10th Term of Board of Directors
Date: 2015.08.11

1. Approved 2015 Q2 Financial Statements.
2. Approved buy back 9,000 thousand shares of treasure stocks.
3. Approved the grant loan to the subsidiary company, Everest Display Inc.

(4) The 7th Meeting of the 10th Term of Board of Directors
Date: 2015.11.10

1. Approved 2015 Q3 Financial Statements.
2. Approved the capital reduction via the 22th and 23th of buy back treasure stocks.
3. Approved the indirect investment in Hunan Yongan Packing Materials Co., Ltd.

(5) The 4th Extraordinary Meeting of the 10th Term of Board of Directors
Date: 2015.12.29

1. Approved the amendments of Memorandum and Articles of the Company.
2. Approved the amendments of Self-Evaluation of the Board of Directors.
3. Approved the policy of the remuneration of directors and supervisors.
4. Approved the endorsement and guarantee of the loan for the subsidiary, K Laser China Group Holding Co., Limited.
5. Approved the grant loan to the subsidiary company, Everest Display Inc.

(6) The 5th Extraordinary Meeting of the 10th Term of Board of Directors
Date: 2016.01.15

1. Approved reducing the grant loan to the affiliated company, Everest Display Inc.

(7) The 6th Extraordinary Meeting of the 10th Term of Board of Directors
Date: 2016.02.17

1. Approved the affiliated Company, Everest Display Inc. to be merged with other company and applying IPO in US.

(8) The 8th Meeting of the 10th Term of Board of Directors
Date: 2016.03.10

1. Approved the renewed credit line of bank loan.
2. Approved the endorsement and guarantee of the loan for the subsidiary, K Laser China Group Holding Co., Limited.
3. Approved 2015 Audit Report and the Disclosure of Statement of Internal Control System.
4. Approved the distribution proposal for 2015 employee, director, and supervisor compensation.
5. Approved 2015 Operating Report and 2015 Financial Statements.
6. Approved the distribution proposal for 2015 dividend.

7. Approved the convention of 2016 Annual General Meeting.

3.11.2 Shareholder Meetings

The 2015 Annual General Meeting
Date: 2015.06.18
(1) Recognition of 2014 Operating Report and 2014 Financial Statements.
(2) Recognition of the Distribution of 2014 Earning.
Implementation Status: The target date fixed by the company for distribution of dividends is 2015.11.10, and the payment date is 2015.11.23 ($0.41526178 cash dividend per share).

3.12 Board of Director or Supervisor expressing a dissenting opinion with respect to a material resolution passed by the Board of Directors and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof：None

3.13 A summary of resignations and dismissals, of the company's chairman, general manager, principal accounting officer, principal financial officer, chief internal auditor, and principal research and development officer：None

4. Information on CPA professional fees

4.1 Information on professional fees

Name of CPA Firm	CPA		Audit Period	Remark
Deloitte & Touche	Hung-Bin Yu	Ker-Chang Wu	2015.01.01~2015.12.31	—

Unit：NT$ Thousands

Amount \ Item		Audit fees	Non-audit fees	Total
1	＜2,000	V	$50 (Tax-related)	V
2	2,000 ≦ amount ＜4,000			
3	≧4,000			

4.2 Non-audit fees paid to the certified public accountant, to the accounting firm of the certified public accountant, and to any affiliated enterprise of such accounting firm are equivalent to one quarter or more: None.

4.3 Changes the accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous year: None.

4.4 The audit fees paid for the current year are lower than those for the previous fiscal year by 15 percent or more: None.

5. Information on replacement of CPA: None

6. Chairman, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm, the name and position of the person, and the period during which the position was held, shall be disclosed: None.

7. Information on Net Changes in Shareholding and Net Changes in Shares Pledged by Directors, Supervisors, Managers and Shareholders of More Than 10% Shareholding

7.1 Change in Shareholding of Directors, Supervisors, Officers And Major Shareholders

Unit：Shares

Title	Name	2015		Mar. 31, 2016	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Alex Kuo	—	—	—	—
Director	Daniel Kuo	—	—	—	—
Director	Lisa Hsu	—	—	—	—
Director	Howard Chen	—	—	—	—
Director	Cheng Sang Huang	—	—	—	—
Director	Gen-Sen Chang-Hsieh	—	—	—	—
Director	Chi Chang Lu	—	—	—	—
Supervisor	Wei Chung Hung	—	—	—	—
Supervisor	Ling Chiang Chao	—	—	—	—
Director, R&D Division	Bingo Lo	—	—	—	—
Manager, Auditing Office	Vincent Tsai	—	—	—	—
Director, F&A Division	Teresa Huang	—	—	—	—
Accounting officer	Serena Hung	—	—	—	—
Financial officer	Rich Yuan	—	—	—	—

7.2 Status of Transfer of Shareholding to related person or Shareholding Pledge to related person：None.

8. The company's 10 largest shareholders and relationship

2016.03.29

Name	Holding shares		Spouse & Minor Shareholding		Shareholding Entitled Other Name		Relationship	
	Shares	%	Shares	%	Shares	%	Name	Relationship
Alex Kuo	10,187,756	7.69	752,980	0.57	—	—	Daniel Kuo	Second degree relatives
Chao Ching Kuo	4,311,000	3.25	423,000	0.32	—	—	Zi Wei Kuo Tang Ling Kuo Jin Mei Hsieh Kuo	First degree relatives First degree relatives Second degree relatives
Mei Ling Ho	3,363,179	2.54	—	—	—	—	—	—
Hung Yuan Zhou	2,861,000	2.16	—	—	—	—	—	—
Zi Wei Kuo	2,667,000	2.01	—	—	—	—	Chao Ching Kuo Tang Ling Kuo	First degree relatives Second degree relatives
Guei Tang Shin	2,461,196	1.86	—	—	—	—	—	—
Jin Mei Hsieh Kuo	1,560,000	1.18	—	—	—	—	Chao Ching Kuo	Second degree relatives
Dimensional Emerging Markets Value Fund	1,529,601	1.16	—	—	—	—	—	—
Daniel Kuo	1,342,254	1.01	4,572	—	—	—	Alex Kuo	Second degree relatives
Tang Ling Kuo	1,217,000	0.92	—	—	—	—	Chao Ching Kuo Zi Wei Kuo	First degree relatives First degree relatives

9. Total number of shares and total equity stake held in the same enterprise by the Company, its Directors and Supervisors, Managers directly or indirectly

Unit：Shares/% Mar.31, 2016

Re-invested Business (Long-Term Investment)	Direct Investment by the Company (1)		Invested Business Directly or Indirectly Controlled by Director, Supervisor, and Manager (2)		Total Investments (1)+(2)	
	Shares	%	Shares	%	Shares	%
K Laser China Group Co., Ltd.	25,771,139	100%	—	—	25,771,139	100%
K Laser International Co., Ltd.	19,776,367	100%	—	—	19,776,367	100%
Optivision Technology Inc.	22,699,420	47%	1,619,687	3%	24,319,107	50%
iWin Technology Co., Ltd.	110,995	49%	115,525	51%	226,520	100%
Vicome Corp.	2,661,237	33%	—	—	2,661,237	33%
Everest Display Inc.	12,767,856	39%	3,222,531	10%	15,990,387	48%
Insight Medical Solutions Inc.	1,000,000	36%	—	—	1,000,000	36%

Capital Raising Status

1. Capital and Shares

1.1 Source of Capital

1.1-1 Source of Capital

2016.03.29 / Unit：Thousand Shares；NT$ Thousand (Except Issuance Price)

Year Month	Price	Authorized Capital		Issued Capital		Remarks			
		Shares	Amount	Shares	Amount	Sources of Capital		Capital Increase by Assets Other than Cash	Other (Approval Document Number)
2013.01	10	200,000	2,000,000	150,694	1,506,941	CB Convert	22,934	-	園商字第1020002816號
2013.04	10	200,000	2,000,000	157,879	1,578,789	CB Convert	71,848	-	園商字第1020012319號
2013.09	10	200,000	2,000,000	163,335	1,633,350	CB Convert	54,560	-	園商字第1020026799號
2013.11	10	200,000	2,000,000	166,487	1,664,873	CB Convert	31,524	-	園商字第1020036501號
2014.05	10	200,000	2,000,000	169,373	1,693,730	CB Convert	28,857	-	竹商字第1030012573號
2014.08	10	200,000	2,000,000	162,992	1,629,921	Treasury shares	80,000	-	竹商字第1030022950號
						CB Convert	16,191	-	
2014.12	10	200,000	2,000,000	174,166	1,741,665	CB Convert	111,744	-	竹商字第1030036214號
2015.05	10	200,000	2,000,000	157,166	1,571,665	Treasury shares	170,000	-	竹商字第1040012090號
2015.07	10	200,000	2,000,000	147,166	1,471,665	Treasury shares	100,000	-	竹商字第1040020998號
2015.11	10	200,000	2,000,000	132,466	1,324,665	Treasury shares	147,000	-	竹商字第1040034261號

Unit：Shares, 2016.03.29

Share Type	Authorized Capital					Remarks
	Issued Shares			Un-Issued Shares	Total	
	Listed	Non-Listed	Total (Note)			
Common Stocks	132,466,494	0	132,466,494	67,533,506	200,000,000	--

1.1-2 Information of approval has been granted to offer：None.

1.2 Shareholder Structure

2016.03.29

Structure / Volume	Government Agencies	Financial Institution	Other Legal Entities	Domestic Individuals	Foreign Institutions & Individuals	Total
Number of Shareholders	—	3	32	16,080	47	16,162
Shareholding (Shares)	—	1,419,989	1,665,691	123,864,116	5,516,698	132,466,494
Holding Percentage	—	1.07%	1.26%	93.51%	4.16%	100.00%

1.3 Distribution Profile of Shareholder Ownership

2016.03.29

Levels of Shareholder Ownership	Number of Shareholders	Total Shares Owned	Ownership Percentage%
1 – 999	7,461	599,560	0.45
1,000 - 5,000	5,802	13,573,094	10.25
5,001 - 10,000	1,423	11,589,189	8.75
10,001 - 15,000	410	5,168,357	3.90
15,001 - 20,000	301	5,692,280	4.30
20,001 - 30,000	255	6,631,348	5.01
30,001 - 40,000	118	4,338,806	3.28
40,001 - 50,000	81	3,874,723	2.93
50,001 - 100,000	163	11,698,456	8.83
100,001 - 200,000	82	11,844,868	8.94
200,001 - 400,000	31	8,848,886	6.68
400,001 - 600,000	11	5,553,658	4.19
600,001 - 800,000	9	6,322,484	4.77
800,001 - 1,000,000	2	1,891,107	1.42
Over 1,000,001	13	34,839,678	26.30
Total	16,162	132,466,494	100

1.4 List of Major Shareholders

2016.03.29

Shares / Major Shareholders	Total Shares Owned	Ownership Percentage%
Alex Kuo	10,187,756	7.69
Chao Ching Kuo	4,311,000	3.25
Mei Ling Ho	3,363,179	2.54
Hung Yuan Zhou	2,861,000	2.16
Zi Wei Kuo	2,667,000	2.01
Guei Tang Shin	2,461,196	1.86
Jin Mei Hsieh Kuo	1,560,000	1.18
Dimensional Emerging Markets Value Fund	1,529,601	1.16
Daniel Kuo	1,342,254	1.01
Tang Ling Kuo	1,217,000	0.92

1.5 Market Price, Net Worth, Earnings, Dividends Per Share and Other Data

Unit：NT$；Thousand Shares

Items		Year	2014	2015	Mar 31,2016
Market Price Per Share	Highest		20.65	17.30	15.75
	Lowest		14.20	12.55	12.60
	Average		17.06	14.85	14.05
Net Worth Per Share	Before Distribution		19.16	19.19	—
	After Distribution		18.79	18.69	—
Earnings Per Share	Weighted Average Common Shares Outstanding		161,778	146,914	132,466
	Earnings Per Share		0.56	1.12	0.23
Dividends Per Share (Note)	Cash Dividends		0.35	0.50	—
	Stock Dividends	Retained Earnings	—	—	—
		Capital Surplus	—	—	—
	Accumulated unpaid dividend		—	—	—
Analysis of Return on Investment	Price/Earnings Ratio		30.46	13.26	—
	Price/Dividends Ratio		48.74	29.70	—
	Cash Dividends Yield Rate		2.05%	3.37%	—

Note : The earning distribution for year 2015 has been approved by the Broad meeting, but it hasn't been approved by the General Shareholders' Meeting.

1.6 Dividend Policy and Status

1.6-1 Dividend Policy

Based on the cash demand of operating and striving the best benefit of stockholders' equity, our dividend policy will depend on the capital expense of the budget and demand of cash in the future.

1.6-2 Proposed Distribution of Dividend

The proposal for the distribution of 2015 profits was passed at the meeting of the Board of Directors on 2016.03.10. The proposal for a cash dividend of NT$0.5 per share will be discussed at the annual shareholders' meeting on 2016.05.27.

1.7 Impact of Stock Dividends on Operation Results and EPS：Not Applicable

1.8 Employee, Director, and Supervisor Compensation

1.8-1 Company Policy

Pursuant to the Articles and Memorandum of Incorporation, after paying taxes and offsetting prior years' losses, the Company should distribute directors and supervisors' fees at 2% and employee's bonus at no lower than 7% of the amount; In addition, the newly amended Company Law also requires companies to stipulate in their Articles of Incorporation a fixed amount or ratio of annual profits as profit sharing bonus to employees. K Laser expects to amend its Articles of

Incorporation, which is to be approved at the Annual Shareholders' Meeting on May 27, 2016. Based on the proposed amendment, before paying dividends or bonuses to shareholders, K Laser shall set aside not more than 2% of its annual profit to directors as compensation, and 4%~8% to employees as profit sharing bonus.

Employees who are entitled to receive share dividends as bonus should include those working in the subordinate companies.

1.8-2 If the difference between the proposed distribution and actual distribution on employee compensation and shares and directors and supervisor compensation, the accounting will follow the principle described below：

Pursuant to the Company's Memorandum and Articles of Association and refer to the actual distribution of compensation in the past, the Company estimates the proposed distribution of employee, director, and supervisor compensation. If there are the differences between the proposed and actual distribution, the difference will be estimated and listed in the coming income statement.

1.8-3 Information Regarding the Board of Directors Proposal for Appropriation of Employee Bonus etc：

Unit：NT$；Thousand

Amount / Item	Cash	Stock	Difference between Proposed and Actual Distribution
Employee Compensation	8,108	0	0
Director, and Supervisor Compensation	1,982	0	0

1.8-4 Status of Employee, Director, and Supervisor Compensation from 2014 Retained Earnings are as Follows:

In 2014 the proposed distribution of employee, director, and supervisor compensation are NT$4,231K and 1,209K that no difference between proposed and actual distribution.

1.9 Share Buy-Back：

2016.03.29 / NT$

Batch Order	20th	21st	22nd	23rd
Purpose of buy-back	Maintain the company's credit and shareholders' equity			
Timeframe of buy-back	2014/11/12~2015/01/09	2015/05/18~2015/06/12	2015/06/18~2015/08/10	2015/08/12~2015/10/10
Price range	$10.82~23.53	$10.43~22.77	$9.63~22.61	$9.45~20.58
Class, quantity of shares bought back	common stocks 9,000,000 shares	common stocks 10,000,000 shares	common stocks 5,700,000 shares	common stocks 9,000,000 shares
Value of shares bought-back	$152,859,279	$155,059,824	$78,659,432	$128,916,966
Shares sold/transferred	common stocks 9,000,000 shares	common stocks 10,000,000 shares	common stocks 5,700,000 shares	common stocks 9,000,000 shares
Accumulated number of company shares held	0	0	0	0
Percentage of total company shares held	0	0	0	0

2. Issuance of Corporate Bonds

2.1 Issuance of Corporate Bonds

2016.03.29

Type		Domestic 4th Secured Convertible Bonds	Domestic 5th Unsecured Convertible Bonds
Issue date		2014.10.17	2014.10.20
Face amount		NT$ 100,000	
Issue amount		NT$ 100,000	
Issue size		NT$ 300 million	NT$ 200 million
Coupon rate		0%	0%
Maturity		3 years; 2017.10.17	3 years; 2017.10.20
Guarantor		Chinatrust Bank	-
Trustee		E.SUN Bank	
Registrar, Principal paying, conversion and transfer agent		Chinatrust Securities	
Legal counsel		-	
Auditor		-	
Redemption		On the maturity date, the issuer will redeem the bonds at their principal amount, unless, (a) The issuer shall have redeemed the bonds at the option of the issuer, or the bonds shall have been redeemed at the option of the bondholders (b) The bondholders shall have exercised the conversion right before maturity; or (c) The bonds shall have been purchased by the issuer and cancelled.	
Principal payable		NT$ 300 million	NT$ 200 million
Redemption or early redemption clause		(a) Issuer may, at our option at any time after 2014/11/18 and prior to 2017/9/7, redeem the Bonds in whole at their principal amount for cash, if the Closing Price of the TSE-listed Shares, for a period of 30 consecutive Trading Days, is at least 30% of the Convertible Price. (b) Issuer may also, at our option at any time after 2014/11/18 and prior to 2017/9/7, redeem the Bonds in whole at their principal amount if at least 90% in principal amount of the Bonds has already been converted, redeemed or purchased and cancelled.	(a) Issuer may, at our option at any time after 2014/11/21 and prior to 2017/9/10, redeem the Bonds in whole at their principal amount for cash, if the Closing Price of the TSE-listed Shares, for a period of 30 consecutive Trading Days, is at least 30% of the Convertible Price. (b) Issuer may also, at our option at any time after 2014/11/21 and prior to 2017/9/10, redeem the Bonds in whole at their principal amount if at least 90% in principal amount of the Bonds has already been converted, redeemed or purchased and cancelled.
Covenant		-	
Rating		-	
Other obligation	Balance of amount Converted to shares	-	-
	Policy of issuing or converting	Reference the Policy of issuing or converting	
Effect on the current shareholders due to dilution		Comparing funding management, issue Convertible Corporate Bonds could decrease the dilution of EPS, and raising the ratio of equity capital.	
Name of custodian		-	

2.2 Corporate Bonds information

Unit：NTD

Items	Type / Year	Domestic 4th Secured Convertible Bonds			Domestic 5th Unsecured Convertible Bonds		
		2014	2015	2016.3.31	2014	2015	2016.3.31
Market Price	High	108.95	111.00	109.95	108.00	108.10	108.00
	Low	107.00	105.00	105.20	100.00	99.55	102.05
	Average	107.21	106.18	107.22	103.13	103.93	104.51
Convertible price		16.70	16.20	16.20	16.80	16.30	16.30
Issue Date and Original Convertible price		2014.10.17 / NT$ 16.7			2014.10.20 / NT$ 16.8		
Source of Convertible Shares		New Common Share					

3. Status of Preferred Shares：None.

4. Status of Overseas Depository Certificate：None.

5. Issuance of Employee Stock Option Plan (ESOP)：None.

6. Status of New Share Issuance in Connection with Mergers and Acquisitions：None.

7. Financing Plans and Implementation：None.

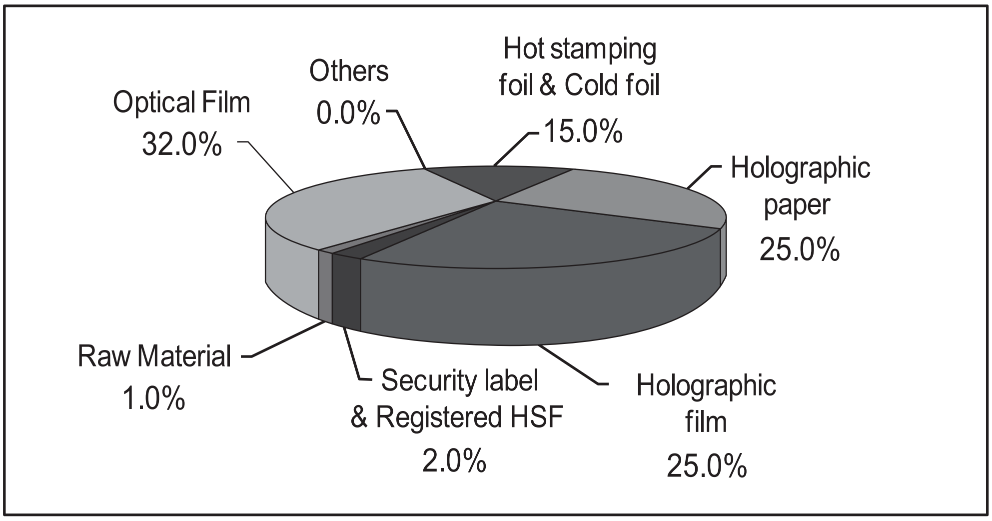
Operational Highlights

1. Business Activities

1.1 Business Scope

1.1-1 Operation Items：The company engages in the research and development, production and sales of holographic products. The major holographic products are holographic film, hot stamping foil, cold foil, holographic paper, security label, optical films and etc.

1.1-2 Major Products and Sales Percentage：



1.1-3 Current products:

A. Hot Stamping Foil

B. Cold Foil

C. Register Hot Stamping Foil

D. Holographic paper

E. Holographic PET film

F. Holographic PVC film

G. Holographic OPP film

H. Holographic Security Label

I . Holographic Transfer Film

J. Optical Film

1.1-4 New products in plan：

A. True Seamless UV Fresnel Lens

B. Holographic cold foil for toothpaste soft tube

C. Low price holographic PET laminating film

D. Holographic hot stamping foil for soft tube

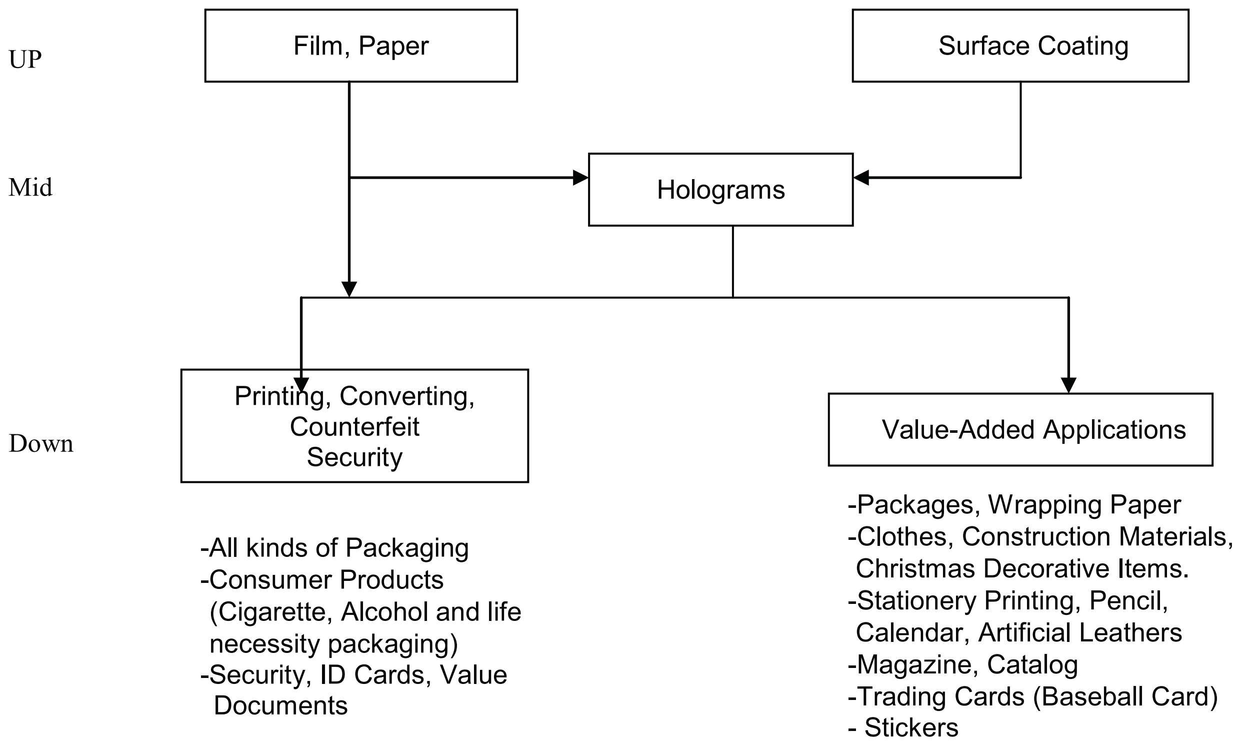
1.2. Industry Overview

1.2-1 Present Industry Situation and Development Plan

Current Status: Cigarette packaging remains the world's largest market using holographic film, followed by toothpaste box packaging market. These two markets are still considered stable but the rest of the market might fluctuate based on the market economy situation. In order to maintain the market share, we will approach brand owner and provide them with total packaging design concept and solution.

Development: For current holographic industry with existing holographic process, in order to enhance the competitiveness and differentiation, some of the competitors are developing the deep UV process. K Laser has already mastered the deep UV process technology, and is actively developing the True Seamless deep UV products.

1.2-2 The Relationship Between Up-, Mid-, and Down-Stream Supply Chain Services



PET, OPP, PVC films and paper are the most common carriers of holograms. We have secured steady supplies of films from NanYa Plastics and Shinkong Synthetic Fibers Corporation, and papers from Yuen Foong Co., Ltd etc. The raw materials may affect the quality of hologram embossing. On the other hand, customers' requirements for material strength and temperature resistance as well as production speed are also crucial. In many cases, we have developed very close partnerships with customers and produced highly anti-counterfeiting and value-added packages.

Vertical integration will be a trend in the industry. Some hologram manufacturers begin investing in coating business to produce the materials for hologram embossing. At the same time, film suppliers are also developing materials that can be used for hologram embossing without coating. Some converters have also purchased embossing machines to produce holographic materials themselves.

1.2-3 Product Development Trends & Competition

1. Development trends:

A. Holographic effect: towards a more three-dimensional and metal holographic effect.

B. PET holo film is the market mainstream product, by using the coextruded film will help to lower the product costs.

C. Develop registered printing products for flexo label market, in addition to the existing offset market.

D. Cold foil for flexo is a mature product, will develop cold foil for offset applications.

2. Competitive scenario:

A. Holographic effect: Eastern Europe has developed the equipment which enhances better holographic effect. In order to maintain industry leadership, the R&D group is developing new generation optical holographic equipment.

B. Chinese and Indian competitors have the low-cost advantages, whereas, K Laser has the true seamless and brighter holographic advantages.

C. Positioning printed products: the main competitors are Chinese manufacturers, high awareness on the product competitiveness of Chinese competitors is necessary

D. K Laser is not the leader of offset cold foil, there is still room for development.

1.3 Technology and R&D Highlights

1.3-1 R&D Expenditures of K Laser

Unit：NT$ Thousands

Year	2014	2015	2016Q1
R&D Expenditures	178,035	179,755	50,789

1.3-2 R&D Achievements and Plans for the Future

According to the market request, the Company develops high value-add product with aesthetic and high security features to achieve technology innovation, quality improvement and wide range of product application. The Company also integrates and develops the upstream and downstream process technology, and improves resolution and design ability.

The technique Road-Map, R&D release following new Tech. and new Product in this year:

A. Origination Technology:

(a) 1 Meter seamless rainbow origination technology (b) Combine the hologram with the deep grating drum origination technology (c) 3D perspective hologram (d)Scaling effect (e) B&W effect (f) Ghosting effect

B. New Product:

(a) True Seamless products (b) Lens effect film (c) UV emboss related products (d) Holographic hot stamping foil for plastic (e) Holographic film for flexible packaging (f) anti-counterfeit holographic hot stamping material for aluminum closure (g) True Seamless KFL for Flexo Printing

C. Equipment Development:

(a) 1 Meter seamless optical production machine (b) 1 Meter drum electroforming machine

(c) UV drum process facilities (d) 3D depth facilities

R&D Strategy:

A. Combine supplies' and customer's technology, develop more value and more tamper function products.
B. Developing Seamless holographic origination technology and production process.
C. Developing high precision coating technology, recipe and process, to promote products' application and control products' quality efficiently.
D. Developing the optical effect origination for the electric products application.
E. Developing UV embossing process combine deep grating and holographic effects.
F. Developing aesthetic and high security technique to improve R&D ability.
G. Developing holographic high temperature resistant hot stamping foil to enhance our competitiveness on paper anti-counterfeit market.
H. Developing holographic cold foil for soft tube package to provide various color choices for soft packaging.

1.4. Long and Short Term Business Plan

1.4-1 Long Term Business Plan

The Company has established International Business Unit to integrate the Group resources and to plan for global sales and marketing activities. Business Unit will responsible for the centralized product planning and global sales & marketing strategies in order to expand the global business.

1.4-2 Short Term Business Plan

A. Taiwan Market: To development mask packaging and pharmaceutical packaging application.

B. China Market: To secure the current cigarette packaging orders and to expand the label printing market through the true-seamless product advantage.

C. Asia Market: Hologram product is more mature in Northern Asia, therefore, the Company will promote busy and customized true-seamless pattern into the market. Whereas, for South East Asia, the Company will promote K Laser China's price competitive products.

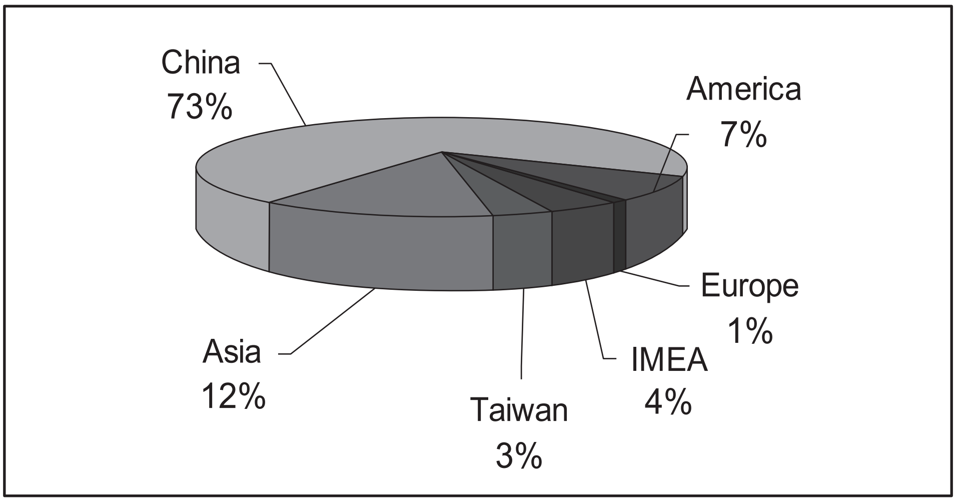
D. US Market: To secure the cold foil business and to further develop the business on laminating and self-adhesive market.

E. Europe Market: To compete for brand toothpaste PET laminating order and to develop the business in Spanish laminating market.

2. Marketing and Sales Conditions

2.1 Market Analysis

2.1-1 Major Sales Regions：



2.1-2 Future Market Supply, Demand and Growth Potential

1. Global hologram market and industry overview

Currently, China is the biggest market in Holographic industry in term of sales volume, and followed by America, Europe and Asia (excluding China). The inquiry for UV Lens in Europe has increased significantly and it is expecting to bring high revenue from this region. In 2016, there is a chance to gain the order for new toothpaste box using PET holographic film, another chance for sales growth. The major product in US market is cold foil, and the demand for PET 50um film will increase significantly due to the new customers. Japan is the major market in Asia. Korea is geographical very close to China. The competition from China is very severe and this made the business development becomes complicated.

2. Mainland China market

In China, holographic material is mainly used on cigarette and liqueur packaging. However, owing to the policy of fighting extravagance, especially for the liqueur and cigarette packaging, the growth rate in this market has slow down. The holographic material for consumer products and label printing still has the room to grow. China is still the major market for holographic product, but there are more and more competitors in this market, to develop advanced technology and to reduce cost are necessary for staying in this market.

2.1-3 Factors Relating to Future Development of KLT

1. Favorable Factors (Competitive Niche)

A. K Laser has developed new seamless process to redefine the market specifications. By this new process, the company reduces the production cost significantly and also increases the yield rate of customers production.

B. Crude oil prices continued to slump and this will keep the raw material price low.

C. Through group integration, the company adapts centralized/batch production strategy to reduce the production cost and keep from market penetration without cutting margin.

D. K Laser is capable in providing total printing and packaging printing solution to customers due to its great experience in positioning printing.

2. Threaten and Adaptive Strategy

A. Poor economy environment, the end customers reduce the packaging cost.

Response measure: To develop low cost material, to reduce price & to develop new products and new market.

B. Holographic effect has long been in the market, consumers have lost interest on the design visual effect.

Response measure: To develop anti-counterfeiting customized design and to create new visual effects like holographic metal, stereo relief and etc.

C. Price War

Response measure: The Company has taken a number of steps by developing substitute materials, increasing product efficiency, and focusing on the new seamless processes to get rid of the threat of competitors.

2.2 Major Applications of Products & Product Manufacturing Process

2.2-1 Applications of Major Processes

A. Hot Stamping Foil target market

• Cigarette Packaging market • Stationary market

• Wine Label market • Greeting card market

• Paper box market • ID Card market • Toy market

• Cosmetic market

B. Cold Foil target market:

• Label market • Wine Label market • Beverage market

• Soft tube market • Security market

C. PET film target market

• Decoration market • Glitter market • Yarn market

• Security label market • Tape market

• Artificial leather market • Demetalized market

• Paper box market • Printing market

D. OPP film target market

• Shopping bag market • Paper box market

• OPP lamination market • Festival couplets market

• Tape market • Printing market • Demetalized market

E. PVC film target market

• Christmas market •Sticker market • Ribbon market

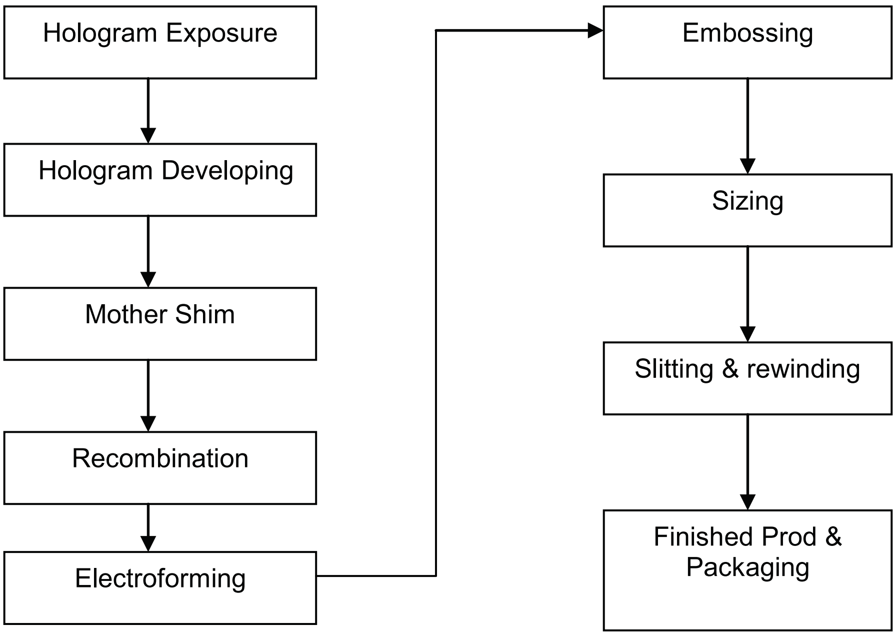
• Festival couplets market

• Sequin market • Printing market • Credit Card market

F. Holographic paper target market

• Packaging market • Paper folding box market • Greeting card market • Sticker market
• Wine label market • Magazine market • Stationery market • Paper bag market.

2.2-2 Product Manufacturing Process (Hot Stamping Foil)



2.3 Major Raw Material & Status

The main raw materials used in hologram manufacturing are PVC, OPP and PET Films and papers. The Company maintains multiple suppliers, the majority of its' film come from Nan Ya Plastic Corporation and Shinkong Synthetic Fibers Corporation.

2.4 Major Customers and Suppliers Who Had Made Up Exceeding 10%

2.4-1 Major Suppliers

Unit：NT$ Thousands

Item	2014				2015				2016 (As of March 31)			
	Company Name	Amount	%	Relation with Issuer	Company Name	Amount	%	Relation with Issuer	Company Name	Amount	%	Relation with Issuer
1	Jiang Yin Shin Guang	261,724	8	Note 1	Jiang Yin Shin Guang	266,589	9	Note 1	Jiang Yin Shin Guang	56,444	7	Note 1
2	Others	2,831,784	92	-	Others	2,777,201	91	-	Others	798,892	93	-
	Net Total Supplies	3,093,508	100		Net Total Supplies	3,043,790	100		Net Total Supplies	855,336	100	

Note1: KLT indirect investment company

2.4-2 Major Customers: None of major customers who had made up exceeding 10%

2.5 Production Quantity / Value

Unit：NT$ Thousands /KM^2

Year / Production / Product	2014			2015		
	Capacity	Quantity	Value	Capacity	Quantity	Value
Holographic Film(included Security label)	296,489	191,483	1,077,541	327,748	207,036	1,072,354
Holographic Paper	73,158	63,182	653,769	101,565	65,939	681,601
Optical Film	18,230	17,168	1,178,421	13,600	12,775	1,004,873
Others	-	-	37,281	-	-	32,213
Total	387,878	271,833	2,947,012	442,913	285,751	2,791,041

2.6 Sales Quantity / Value

Unit：NT$ Thousands /KM^2

Year / Sales / Product	2014				2015			
	Domestic		Export		Domestic		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Holographic Film	6,011	82,935	164,415	1,407,544	5,627	65,501	191,339	1,460,016
Holographic Paper	41	6,344	64,272	877,948	1,425	22,841	66,453	943,797
Optical Film	388	27,826	16,119	1,530,719	100	27,249	13,343	1,282,486
Security label	33	26,959	211	65,539	332	30,350	120	50,499
Others	560	6,698	14,598	183,068	478	4,858	11,865	169,099
Total	7,033	150,762	259,615	4,064,818	7,962	150,800	283,121	3,905,897

3. Employee Analysis

Employee Analysis from 2014 to Mar. 31, 2016

Year		2014	2015	Mar. 31, 2016
Number of Employees	Administrators	343	290	290
	Technicians	74	79	80
	Engineers	709	645	636
	Total	1126	1014	1006
Average Age		33.26	38.74	38.62
Average Years of Employment		4.61	5.79	6.19
Level of Education (%)	Ph.D.	0.49	0.61	0.73
	Masters Degree	4.06	4.82	5.48
	Bachelors/ Associate Degree	29.7	29.54	29.96
	Senior High School	49.9	48.18	49.11
	Under	15.85	16.85	14.72

4. Environmental Protection Information

4.1 Over the Last Two Years the Company Has Suffered No Related to Fines or Measures Resulting from Environmental Pollution.

4.2 The related information of matching up the RoHS：

The product of K Laser is not involved in the rules of RoHS.

5. Labor Relations

5.1 Employee Benefits, Education Plan, Training Plan, Retirement Policy, and Agreement with Employees.

The Company established the employee benefit policy in accordance with the provisions in Labor Standards Law and Labor Pension Act and the related law. All of employee join the Labor insurance and National health insurance, and paid the subsidy of maternity benefits, suffered injuries benefits ….by rules. The Company holds employee health examination each year and give the training courses to them to make the employee fully devote themselves to their job.

The Company also established Employee Benefit Committee. The Committee provides many kinds of allowance to the employees, and conduct domestic tourism activities for the employees.

The Company retirement policy is applied to all formal employees. The Company considers employee‘s retirement fund according the seniority and salary. From1988, we monthly allot 2% of total employee’s salary to retirement fund. Starting July 1st, 2005, the Company makes monthly contribution equal to 6% of each employee’s monthly salary to employees’ pension accounts for those employees who adopted the plan under the Labor Pension Act.

The Company values rational communication between the management level and subordinates and keep the harmonious working relationship. The Employee Benefit Committee also plays an important role on the labor relation. The Affiliated Companies follow the local rules.

5.2 The Company Had Suffered No Loss Related to Labor Disputes Over the Last Two Years and Management Believes Its Labor Relations to Be Good.

6. Important Contracts

Nature of Agreement	Party	Start and End Date	Content	Restriction Clause
Medium & Long-Term Loan Agreement	E.SUN Bank &Taipei Fubon Bank	2015.08~2018.08	Syndication Loan amount is NTD 720,000 (thousand)	Pledge factory premises as collateral
Medium & Long-Term Loan Agreement	Chinatrust Bank	2014.09~2017.10	Loan amount is NTD 306,030 (thousand)	-
Medium & Long-Term Loan Agreement	Taipei Fuban Bank	2015.06~2017.06	Loan amount is NTD 100,000 (thousand)	-
Medium & Long-Term Loan Agreement	China Development Industrial Bank	2015.08~2017.08	Loan amount is NTD 100,000 (thousand)	-
Medium & Long-Term Loan Agreement	JihSun Bank	2016.01~2018.01	Loan amount is NTD 100,000 (thousand)	-

Financial Information

1. Condensed Financial Statements of the Past Five Years

1.1 Condensed Financial Statements of the Past Five Years (IFRS)

1.1.1 Condensed Consolidated Balance Sheet from 2012 to 2016Q1 (IFRS)

Unit：NT$ Thousands

Items \ Year		Financial Statements from 2012 to 2015 (Note1)					Mar 31,2016 (Note2)
		2012	2013	2014	2015		
Current Assets		3,161,764	3,427,124	3,874,578	3,528,980		4,050,805
Property, Plant and Equipment		1,453,435	1,448,435	1,406,118	1,328,591		1,424,892
Intangible Assets		841	1,376	1,626	4,044		3,305
Other Assets		847,493	746,598	892,899	1,134,425		955,313
Total Assets		5,463,533	5,623,533	6,175,221	5,996,040		6,434,315
Current Liabilities	Before Distribution	1,812,642	1,622,444	1,793,235	1,794,121		2,034,965
	After Distribution (Note 3)	1,876,854	1,727,367	1,848,243	1,860,354		2,034,965
Non- Current Liabilities		978,295	747,987	842,065	1,036,368		1,036,350
Total Liabilities	Before Distribution	2,790,937	2,370,431	2,635,300	2,830,489		3,071,315
	After Distribution (Note 3)	2,855,149	2,475,354	2,690,308	2,896,722		3,071,315
Equity attributable to owners of the Company		2,352,459	2,804,592	2,842,192	2,542,668		2,559,547
Capital Stock		1,506,941	1,674,492	1,741,665	1,324,665		1,324,665
Capital Surplus		425,862	452,032	496,707	408,627		408,627
Retained Earnings	Before Distribution	598,290	762,265	716,055	724,695		755,314
	After Distribution (Note 3)	534,078	657,342	661,047	658,462		755,314
Other equity		(86,112)	8,325	131,780	84,681		70,941
Treasury Stock		(92,522)	(92,522)	(244,015)	0		0
Non-controlling interests		320,137	448,510	697,729	622,883		803,453
Total Equity	Before Distribution	2,672,596	3,253,102	3,539,921	3,165,551		3,363,000
	After Distribution	2,608,384	3,148,179	3,484,913	3,099,318		3,363,000

Note：1.The financial statements from 2012 to 2015 have been certified by CPA.

2.The financial statements of 2016 Q1 have been certified by CPA.

3.The earning distribution for year 2015 has been approved by the Broad meeting on Mar. 10, 2016, but it hasn't been approved by the General Shareholders' Meeting. (The shareholder's meeting will be held on June)

1.1.2 Condensed Consolidated Income Statement from 2012 to 2016Q1 (IFRS)

Unit：NT$ Thousands (Except EPS)

Year / Items	Financial Statements from 2012 to 2015 (Note1)					Mar 31,2016 (Note2)
	2012	2013	2014	2015		
Net Sales	3,844,829	4,078,901	4,215,580	4,056,697		1,157,309
Gross Profit	908,446	1,017,141	1,122,072	1,012,907		301,973
Operating Income	204,166	248,526	272,182	289,510		100,402
Non-Operating Revenue& Expense	28,207	97,061	(42,873)	(40,915)		(38,055)
Profit before tax	232,373	345,587	229,309	248,595		62,347
Gain (Loss) from Continued Operations	181,741	308,453	192,697	183,374		39,636
Gain（Loss）from Discontinued Operations	-	-	-	-		-
Profit for the year	181,741	308,453	192,697	183,374		39,636
Other comprehensive income ,net of income tax	(137,774)	86,969	125,162	(52,349)		(13,225)
Total comprehensive income for the year	43,967	395,422	317,859	131,025		26,411
Profit for the year attributable to owners of the company	127,184	227,852	90,690	164,346		30,619
Profit for the year attributable to non-controlling interests	54,557	80,601	102,007	19,028		9,017
Total comprehensive income for the year attributable to owners of the company	36,872	322,624	211,663	113,940		16,879
Total comprehensive income for the year attributable to non-controlling interests	7,095	72,798	106,196	17,085		9,532
Earnings Per Share (NT$) Note3	0.87	1.49	0.56	1.12		0.23

Note：1. The financial statements from 2012 to 2015 have been certified by CPA.

2. The financial statements of 2016Q1 have been certified by CPA.

3. Earnings per share are based on retroactively adjusted weighted average outstanding common stocks.

1.1.3 Condensed Balance Sheet from 2012 to 2015 (Individual) (IFRS)

Unit：NT$ Thousands

Items		Financial Statements from 2012 to 2015 (Note1) 2012	2013	2014	2015	
Current Assets		420,241	442,442	332,774	296,462	
Property, Plant and Equipment		189,836	205,398	183,466	211,856	
Intangible Assets		302	463	834	482	
Other Assets		3,422,395	3,657,753	3,967,758	3,958,268	
Total Assets		4,032,774	4,306,056	4,484,832	4,467,068	
Current Liabilities	Before Distribution	701,189	752,567	849,633	887,225	
	After Distribution (Note 2)	765,401	857,490	904,641	953,458	
Non- Current Liabilities		979,126	748,897	793,007	1,037,175	
Total Liabilities	Before Distribution	1,680,315	1,501,464	1,642,640	1,924,400	
	After Distribution (Note 2)	1,744,527	1,606,387	1,697,648	1,990,633	
Equity attributable to owners of the Company		2,352,459	2,804,592	2,842,192	2,542,668	
Capital Stock		1,506,941	1,674,492	1,741,665	1,324,665	
Capital Surplus		425,862	452,032	496,707	408,627	
Retained Earnings	Before Distribution	598,290	762,265	716,055	724,695	
	After Distribution (Note 2)	534,078	657,342	661,047	658,462	
Other equity		(86,112)	8,325	131,780	84,681	
Treasury Stock		(92,522)	(92,522)	(244,015)	0	
Total Equity	Before Distribution	2,352,459	2,804,592	2,842,192	2,542,668	
	After Distribution	2,288,247	2,699,669	2,787,184	2,476,435	

Note：1. The financial statements from 2012 to 2015 have been certified by CPA.

2. The earning distribution for year 2015 has been approved by the Broad meeting on Mar. 10, 2016, but it hasn't been approved by the General Shareholders' Meeting. (The shareholder's meeting will be held on June)

1.1.4 Condensed Income Statement from 2012 to 2015 (Individual) (IFRS)

Unit：NT$ Thousands (Except EPS)

Year / Items	Financial Statements from 2012 to 2015 (Note1)				
	2012	2013	2014	2015	
Net Sales	547,675	502,187	551,732	508,628	
Gross Profit	132,931	117,602	120,276	92,399	
Operating Income	8,311	(20,412)	(26,633)	(27,824)	
Non-Operating Revenue& Expense	127,073	248,264	130,428	198,064	
Profit before tax	135,384	227,852	103,795	170,240	
Gain (Loss) from Continued Operations	127,184	227,852	90,690	164,346	
Gain（Loss）from Discontinued Operations	-	-	-	-	
Profit for the year	127,184	227,852	90,690	164,346	
Other comprehensive income ,net of income tax	(90,312)	94,772	120,973	(50,406)	
Total comprehensive income for the year	36,872	322,624	211,663	113,940	
Earnings Per Share (NT$) Note2	0.87	1.49	0.56	1.12	

Note：1. The financial statements from 2012 to 2015 have been certified by CPA.

2. Earnings per share are based on retroactively adjusted weighted average outstanding common stocks.

1.2. Condensed Financial Statements of the Past Five Years (GAAP)

1.2.1 Condensed Consolidated Balance Sheet from 2011 to 2012 (GAAP)

Unit：NT$ Thousands

Items \ Year		Financial Statements from 2011 to 2012 (Note1)				
		2011	2012			
Current Assets		2,871,217	3,164,121			
Fund & Investments		494,635	537,502			
Fixed Assets		1,386,770	1,408,286			
Other Assets (Including Intangible Assets)		361,472	389,598			
Total Assets		5,114,094	5,499,507			
Current Liabilities	Before Distribution	1,184,340	1,804,378			
	After Distribution	1,184,340	1,868,590			
Long-Term Liabilities		626,364	955,000			
Other Liabilities		25,676	23,311			
Total Liabilities	Before Distribution	1,836,380	2,782,689			
	After Distribution	1,836,380	2,846,901			
Capital Stock		1,571,595	1,506,941			
Capital Surplus		501,804	536,481			
Retained Earnings	Before Distribution	229,750	365,105			
	After Distribution	229,750	300,893			
Cumulative Transaction Adjustment		167,011	79,445			
Treasury Stock		(82,795)	(92,522)			
Minority Interest		890,349	321,368			
Total Equity	Before Distribution	3,277,714	2,716,818			
	After Distribution	3,277,714	2,652,606			

Note：1. The financial statements from 2011 to 2012 have been certified by CPA.

1.2.2 Condensed Consolidated Income Statement from 2011 to 2012 (GAAP)

Unit：NT$ Thousands (Except EPS)

Items \ Year	Financial Statements from 2011 to 2012 (Note1)				
	2011	2012			
Net Sales	3,233,694	3,844,829			
Gross Profit	723,813	905,960			
Operating Income	92,759	200,725			
Non-Operating Revenue	80,050	109,118			
Non-Operating Expense	118,784	72,495			
Gain(Loss) before Tax from Continued Operations	54,025	237,348			
Consolidated net income	(8,758)	186,716			
Net profit of the parent	(54,612)	135,355			
Minority Interest	45,854	51,361			
Earnings Per Share (NT$) Note2	(0.36)	0.93			

Note：1. The financial statements from 2011 to 2012 have been certified by CPA.
2. Earnings per share are based on retroactively adjusted weighted average outstanding common stocks.

1.2.3 Condensed Balance Sheet from 2011 to 2012(Individual) (GAAP)

Unit：NT$ Thousands

Items \ Year		Financial Statements from 2011 to 2012 (Note1)				
		2011	2012			
Current Assets		658,195	421,941			
Fund & Investments		2,490,811	3,255,122			
Fixed Assets		179,450	169,348			
Other Assets (Including Intangible Assets)		271,855	261,686			
Total Assets		3,600,311	4,108,097			
Current Liabilities	Before Distribution	512,825	697,027			
	After Distribution	512,825	761,239			
Long-Term Liabilities		626,364	955,000			
Other Liabilities		73,757	60,620			
Total Liabilities	Before Distribution	1,212,946	1,712,647			
	After Distribution	1,212,946	1,776,859			
Capital Stock		1,496,808	1,571,595			
Capital Surplus		501,804	536,481			
Retained Earnings	Before Distribution	229,750	365,105			
	After Distribution	229,750	300,893			
Cumulative Transaction Adjustment		167,011	79,445			
Treasury Stock		(82,795)	(92,522)			
Total Equity	Before Distribution	2,387,365	2,395,450			
	After Distribution	2,387,365	2,331,238			

Note：1. The financial statements from 2011 to 2012 have been certified by CPA.

1.2.4 Condensed Income Statement from 2011 to 2012(Individual) (GAAP)

Unit：NT$ Thousands (Except EPS)

Year / Items	Financial Statements from 2011 to 2012 (Note1)				
	2011	2012			
Net Sales	410,515	547,675			
Gross Profit	72,292	123,183			
Operating Income	(52,805)	8,001			
Non-Operating Revenue	54,772	180,921			
Non-Operating Expense	56,667	45,367			
Gain(Loss) before Tax from Continued Operations	(54,700)	143,555			
Gain(Loss) from Continued Operations	(54,612)	135,355			
Net Income(Loss)	(54,612)	135,355			
Earnings Per Share (NT$) Note2	(0.36)	0.93			

Note：1. The financial statements from 2011 to 2012 have been certified by CPA.
2. Earnings per share are based on retroactively adjusted weighted average outstanding common stocks.

1.3 CPA’s Opinion of the Past Five Years

1.3-1 CPA’s Opinion from 2011 to 2015

Year	CPA	Auditors' Opinion
2011	Ker-Chang, Wu, Ming-Yu, Chiu	An Unqualified Opinion with an Explanatory Paragraph
2012	Hung-bin Yu, Ker-Chang, Wu	An Unqualified Opinion with an Explanatory Paragraph
2013	Hung-bin Yu, Ker-Chang, Wu	An Unqualified Opinion with an Explanatory Paragraph
2014	Hung-bin Yu, Ker-Chang, Wu	An Unqualified Opinion with an Explanatory Paragraph
2015	Hung-bin Yu, Ker-Chang, Wu	An Unqualified Opinion with an Explanatory Paragraph

2. Financial Analysis of the Past Years

2.1 Financial Analysis of the Past Years (IFRS)

2.1.1 Financial Analysis of the Past Years (IFRS) (Consolidated)

Analysis Items / Year		Financial Analysis from 2012 to 2015(Note1)					Mar 31,2016 (Note2)
		2012	2013	2014	2015		
Capital Structure (%)	Debt Ratio	51.08	42.15	42.68	47.21		47.73
	Long-Term Funds to Property, plant and equipment	251.19	276.24	311.64	316.27		308.75
Solvency (%)	Current Ratio	174.43	211.23	216.07	196.7		199.06
	Quick Ratio	138.28	172.73	178.13	163.21		161.21
	Interest Coverage (Times)	7.36	10.12	7.98	8.37		7.83
Operating Performance	Account Receivables Turnover (Times)	2.86	2.68	2.64	2.50		2.78
	Average AR Turnover Days	127.85	136.26	138.53	145.94		131.55
	Inventory Turnover (Times)	5.71	5.56	5.39	5.18		5.53
	Account Payable Turnover (Times)	8.05	7.21	8.79	8.29		6.95
	Average Inventory Turnovers Days	63.92	65.62	67.76	70.49		65.99
	Property, plant and equipment Turnover (Times)	2.69	2.81	2.95	2.97		3.36
	Total Assets Turnover (Times)	0.73	0.74	0.71	0.67		0.74
Profitability	Return on Total Assets (%)	4.01	6.13	3.73	3.47		0.76
	Return on Equity attributable to Shareholders of the Parent (%)	5.37	8..84	3.21	6.10		1.21
	Return on Capital Income Before Tax (%)	15.42	20.64	13.17	18.77		4.71
	Net Profit Ratio (%)	4.73	7.56	4.57	4.52		3.42
	Earnings Per Share (NT$)(Note3)	0.87	1.49	0.56	1.12		0.23
Cash Flow	Cash Flow Ratio (%)	28.09	23.21	12.51	39.79		3.95
	Cash Flow Adequacy Ratio (%)	151.19	153.15	115.73	163.57		169.57
	Cash Reinvestment Ratio (%)	9.14	5.12	1.82	10.26		1.20
Leverage	Operating Leverage	2.16	1.84	1.86	1.67		1.41
	Financial Leverage	1.22	1.18	1.14	1.13		1.10

Explanation for the change in financial ratios over 20% in last two years:

1. The ratio of Return on Capital-Income before Tax and Earnings Per Share of 2015 increased more than 20% in comparison with 2014, owing to the decrease of paid-in-capital from write-off of Treasure Stock.
2. All Cash Flow ratios increased more than 20% of 2015 in comparison with 2014. The net cash in-flow from operating activities increase a lot by the good result of collection of receivables.

Note：1. The financial statements from 2012 to 2015 have been certified by CPA.
2. The financial statements of 2016Q1 have been certified by CPA.
3. Earnings per share are based on retroactively adjusted weighted average outstanding common stocks.

2.1.2 Financial Analysis of the Past Years (IFRS) (Individual)

Analysis Items \ Year		Financial Analysis from 2012 to 2015(Note1)				
		2012	2013	2014	2015	
Capital Structure (%)	Debt Ratio	41.67	34.87	36.63	43.08	
	Long-Term Funds to Property, plant and equipment	1754.98	1730.05	1981.40	1689.75	
Solvency (%)	Current Ratio	59.93	58.79	39.17	33.41	
	Quick Ratio	57.70	55.56	35.39	31.00	
	Interest Coverage (Times)	7.19	9.36	5.08	7.24	
Operating Performance	Account Receivables Turnover (Times)	4.84	5.01	5.39	4.82	
	Average AR Turnover Days	75.40	72.84	67.78	75.71	
	Inventory Turnover (Times)	23.42	19.46	17.34	17.68	
	Account Payable Turnover (Times)	6.61	6.77	6.82	6.35	
	Average Inventory Turnovers Days	15.59	18.75	21.04	20.64	
	Property, plant and equipment Turnover (Times)	2.79	2.54	2.84	2.57	
	Total Assets Turnover (Times)	0.14	0.12	0.13	0.11	
Profitability	Return on Total Assets (%)	3.84	6.01	2.54	4.18	
	Return on Equity (%)	5.37	8.84	3.21	6.10	
	Return on Capital Income Before Tax (%)	8.98	13.61	5.96	12.85	
	Net Profit Ratio (%)	23.22	45.32	16.44	32.31	
	Earnings Per Share (NT$)(Note2)	0.87	1.49	0.56	1.12	
Cash Flow	Cash Flow Ratio (%)	6.72	3.69	-	-	
	Cash Flow Adequacy Ratio (%)	98.80	53.80	27.81	10.04	
	Cash Reinvestment Ratio (%)	1.21	-0.88	-2.51	-1.34	
Leverage	Operating Leverage	3.86	-	0.24	0.17	
	Financial Leverage	-0.61	-	0.51	0.50	

Explanation for the change in financial ratios over 20% in last two years:

1. The Interest Coverage ratio(times) of 2015 increased 43% in comparison of 2014, owing to the increase of Income before Income Tax.
2. All Profitability ratios of 2015 increased more than 20% in comparison of 2014. Although the sales amount decreased in 2015, however, owing to the decrease of expenses and the good performance of investment income from oversea affiliates companies, the Net Income of 2015 increased. Additionally, the Paid-in Capital decreased in 2015 because of the cancellation of treasury stock. As a result, the Company’s Profitability increased accordingly.
3. All Cash Flow ratios decreased more than 20% owing to the net cash out-flow from operating activities.
4. The Operating Leverage ratio decreased more than 20% owing to the decrease of sales amount and gross margin rate in 2015.

Note：1.The financial statements from 2012 to 2015 have been certified by CPA.
2.Earnings per share are based on retroactively adjusted weighted average outstanding common stocks.

2.2 Financial Analysis of the Past Years (GAAP)

2.2.1 Financial Analysis of the Past Years (GAAP) (Consolidated)

Analysis Items			Financial Analysis from 2011 to 2012(Note1) Year 2011	2012			
Capital Structure (%)	Debt Ratio		35.91	50.60			
	Long-Term Funds to Fixed Assets		281.52	260.73			
Solvency (%)	Current Ratio		242.43	175.36			
	Quick Ratio		203.78	143.66			
	Interest Coverage (Times)		3.53	7.49			
Operating Performance	Account Receivables Turnover (Times)		2.80	2.86			
	Average AR Turnover Days		130.43	127.85			
	Inventory Turnover (Times)		5.42	5.71			
	Account Payable Turnover (Times)		7.27	8.05			
	Average Inventory Turnovers Days		67.40	63.94			
	Fixed Assets Turnover (Times)		2.28	2.75			
	Total Assets Turnover (Times)		0.67	0.72			
Profitability	Return on Total Assets (%)		0.19	4.09			
	Return on Equity (%)		-0.28	6.23			
	Return on Capital (%)	Operating Income	5.90	13.32			
		Income Before Tax	3.44	15.75			
	Net Profit Ratio (%)		-0.27	4.86			
	Earnings Per Share (NT$)(Note3)		-0.36	0.93			
Cash Flow	Cash Flow Ratio (%)		9.95	28.76			
	Cash Flow Adequacy Ratio (%)		81.20	152.14			
	Cash Reinvestment Ratio (%)		1.66	9.56			
Leverage	Operating Leverage		3.50	2.20			
	Financial Leverage		1.30	1.22			

Explanation for changes in financial ratios over 20% in last two years：

1. The Debt Ratio increase 41%, which is owing to the increase of long-term liability by increase of the syndication loan.
2. The Current Ratio and Quick Ratio decrease 28% and 30% respectively, because of the increase of current liability by reclassification of Bond Payable in 2012.
3. Interest Coverage increased from 3.53 in 2011 to 7.49 in 2012 because of the significant increase in net profit before income tax.
4. Fixed Assets Turn Over increased by 21% in 2012, because, in 2012, the increase of sales revenue, 19%, is greater than the increase of fixed assets, 2%.
5. All profitability Ratio increased more than 20%. The Company's profitability increased in 2012 because of increase of sales revenue and gross profit ratio, and increase of investment income.
6. All cash flow ratio increased more than 20% in 2012. The net cash in-flow from operating activities increased NTD 401,136, because the Company turned over from loss to profit in 2012.
7. Operating Leverage deceased from 3.5 in 2011 to 2.2 in 2012, because the operating income was NTD 107,966 increased in 2012.

Note：1. The financial statements from 2011 to 2012 have been certified by CPA.
2. Earnings per share are based on retroactively adjusted weighted average outstanding common stocks.

2.2.2 Financial Analysis of the Past Years (GAAP) (Individual)

Analysis Items		Year: Financial Analysis from 2011 to 2012(Note1) 2011	2012			
Capital Structure (%)	Debt Ratio	33.69	41.69			
	Long-Term Funds to Fixed Assets	1679.43	1978.44			
Solvency (%)	Current Ratio	128.35	60.53			
	Quick Ratio	123.72	57.40			
	Interest Coverage (Times)	-2.75	7.57			
Operating Performance	Account Receivables Turnover (Times)	3.947	4.841			
	Average AR Turnover Days	92.49	75.40			
	Inventory Turnover (Times)	11.53	23.36			
	Account Payable Turnover (Times)	5.66	6.60			
	Average Inventory Turnovers Days	31.64	15.62			
	Fixed Assets Turnover (Times)	2.29	3.23			
	Total Assets Turnover (Times)	0.11	0.13			
Profitability	Return on Total Assets (%)	-1.26	3.98			
	Return on Equity (%)	-2.32	5.66			
	Return on Capital (%) – Operating Income	-3.36	0.53			
	Return on Capital (%) – Income Before Tax	-3.48	9.53			
	Net Profit Ratio (%)	-13.3	24.71			
	Earnings Per Share (NT$)(Note3)	-0.36	0.93			
Cash Flow	Cash Flow Ratio (%)	0	6.10			
	Cash Flow Adequacy Ratio (%)	98.14	97.90			
	Cash Reinvestment Ratio (%)	-0.83	1.08			
Leverage	Operating Leverage	-1.88	28.71			
	Financial Leverage	0.78	-0.58			

Explanation for changes in financial ratios over 20% in last two years：

1. The 23.75% increase in debt ratio was due to the increase of long-term syndicated credits from banks.
2. Current ratio and quick ratio decreased 52.84% and 53.6% respectively because the bonds payable was reclassified under the long-term debt of current liabilities.
3. Interest coverage ratio increased from 2.75 in 2011 to 7.57 in 2012 because we turned from net loss before tax in 2011 to net profit before tax in 2012.
4. AR turnover rate increased 22.65% because total sales increased 33.41% over previous year.
5. Inventory turnover rate increased 102.6% and days to sell inventory decreased 50.63%: It was because the cost of goods increased 26% and is larger than the 9% decrease in the average inventory.
6. Fixed asset turnover rate increased 41.05%: It was because the net sales increased 33.41% over last period while the value of fixed asset decreased 6%.
7. Return on assets decreased 415.87% because we turned from net loss to net profit for the period and the average assets also increased. Return on equity decreased 343.97% because shareholders' equity increased.
8. The ratio of operating income to paid-in capital decreased 115.77% and the ratio of income before tax to paid-in capital decreased 373.85% because the operating income and net income for last period were negative while both were positive in this period.
9. Net profit margin and EPS increased 285.79% and 358.33% respectively. The net profit for this period increased caused by the increases in net sales, gross profit margin, and investment income recognized under equity method.
10. The cash flow ratio increased 100% compared to 2011 because cash flowed in NTD42.517 million in 2012 while cash flowed out NTD15.56 million in 2011.
11. The cash reinvestment ratio increased from 0.83% in 2011 to1.08% in 2012 because we returned to profit and had cash inflow in of NTD 42.517 million.
12. The operating leverage increased from 1.88 in 2011 to 28.71 in 2012 because the operating income was NTD 8 million in 2012 while the operating loss in 2011 was NTD 52.09 million in 2011.

Note 1: The financial statements from 2011 to 2012 have been certified by CPA.

Note 2: Earnings per share are based on retroactively adjusted weighted average outstanding common stocks.

Note 3: Financial Analysis formulas show as the following:

- Capital Structure：
  (1) Debt Ratio＝Total liabilities／Total Assets
  (2) Long-Term Funds to Fixed Assets＝(Stockholders' Equity＋Long-Term liabilities)／Property, plant and equipment, net
- Solvency：
  (1) Current Ratio＝Current Assets／Current Liabilities
  (2) Quick Ratio＝（Current Assets－Inventories－Prepaid Expenses）／Current Liabilities
  (3) Interest Coverage(Times)＝Income before tax and interest expenses／interest expenses
- Operating Performance：
  (1) Account Receivables Turnover (Times)＝ Net Sales／average of the period of AR
  (2) Average AR Turnover Days＝365／Account Receivables Turnover (Times)
  (3) Inventory Turnover(Times)＝Cost of Sales／average of inventories
  (4) Account Payable Turnover (Times)＝Cost of Sales／average of the period of AP
  (5) Average Inventory Turnovers Days＝365／Inventory Turnover (Times)
  (6) Fixed Assets Turnover (Times)＝Net Sales／Property, plant and equipment, net
  (7) Total Assets Turnover (Times)＝Net Sales／Total Assets
- Profitability：
  (1) Return on Total Assets (%)＝〔Net income after tax＋interest expense x（1－ratio of tax）〕／average of Total Assets。
  (2) Return on Equity (%)＝Net income after tax／average of Stockholders' Equity
  (3) Net Profit Ratio (%)＝Net income after tax／Net Sales
  (4) Earnings Per Share (NT$)＝（Net income after tax－Stock Div.-Preferred）／weight average outstanding common stocks
- Cash Flow：
  (1) Cash Flow Ratio (%)＝Net cash provided by operating activities／Current Liabilities
  (2) Cash Flow Adequacy Ratio (%)＝Net cash provided by operating activities in recently five year／Recently five year of (capital expenses＋Increase of inventories+ Cash dividend)
  (3) Cash Reinvestment Ratio (%)＝(Net cash provided by operating activities-Cash dividend)／(Property, plant and equipment, gross +Long-Term Investment + other assets + Working Capital)
- Leverage：
  (1) Operating Leverage＝(Net Sales－changes of operating cost and expense)／operating income
  (2) Financial Leverage＝operating income／(operating income－interest expense)

3. Supervisors' Report

The Board of Directors have prepared and submitted to us the Company's 2015 Business Report, Financial Statements, and proposal for allocating profit. The CPAs of Deloitte & Touche were retained to audit the Financial Statements and have submitted a report relating there too. The above Business Report, and Financial Statements and proposal have been further examined as being correct and accurate by the undersigned, the supervisors of the Company. According to the Article 219 of the Company Law, we hereby submit this report.

K Laser Technology Inc.

Supervisors：

Wei-Chung Hung

Ling-Chiang Chao

Mar. 10, 2016

Representation Letter

The entities that are required to be included in the combined financial statements of K LASER Technology Inc. as of and for the year ended December 31, 2015, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No. 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, K LASER Technology Inc. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

K LASER Technology Inc.
By

Kuo Wei-Wu
Chairman

March 10, 2016

4. Consolidated Financial Statements

Deloitte.
勤業眾信

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Independent Auditors' Report

The Board of Directors and Shareholders

K LASER Technology Inc.

We have audited the accompanying consolidated balance sheets of K LASER Technology Inc. and its subsidiaries as of December 31, 2015 and December 31, 2014, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of certain subsidiaries which statements are based on solely on the reports of the other auditors and it relates to the total assets amounted to NT$ 190,070 thousand and NT$ 156,907 thousand, all representing 3.2% and 2.54% of the total consolidated assets as of December 31, 2015 and 2014. The operating revenues amounted to NT$ 305,716 thousand and NT$ 238,740 thousand, representing 7.54% and 5.66% of the consolidated operating revenues for the years then ended December 31, 2015 and 2014. We did not audit the financial statements of certain associates and joint venture which statements are based solely on the reports of the other auidtors and it relates to the total assets amounted to NT$ 89,824 thousand and NT$ 81,704 thousand, representing 1.5% and 1.32% of the consolidated assets as of December 31, 2015 and 2014. Ther related share of profits of associates and joint venture under th equity method amounted to NT$ 13,125 thousand and NT$ 17,909 thousand, each representing 5.28% and 7.81% of the total consolidated net income before tax for the years ended December 31, 2015 and 2014. The information regarding the above investees specified in Note 33 to the consolidated financial statements were also audited by other certified public accountants rather than us.

We conducted our audits in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the generally accepted auditing standards in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and other auditors' report provided a reasonable basis for our opinion.

In our opinion and based on our audit result and the reports issued by other auditors, the consolidated financial statements referred to in the first paragraph are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of International Financial Reporting Standards (IFRIC) and Interpretations of IAS (SIC) endorsed by the Financial Supervisory Commission, present fairly the consolidated financial status of K LASER Technology Inc. and subsidiaries as of December 31, 2015 and December 31, 2014, and the consolidated business result and consolidated cash flows for the years ended December 31, 2015 and December 31, 2014.

We have also audited the parent company only financial statements of K LASER Technology Inc. as of and for the years ended December 31, 2015 and December 31, 2014 on which we have issued an unqualified opinion.

K LASER Technology Inc. and Subsidiaries

Consolidated Balance Sheet

December 31, 2015 and December 31, 2014

NTD in Thousands

	December 31, 2015		December 31, 2014	
Assets	Amount	%	Amount	%
Current Assets				
Cash and cash equivalents (Notes 4 & 6)	$1,241,811	21	$1,106,260	18
Financial assets at fair value through profit or loss – Current (Notes 4 & 7)	55,714	1	133,323	2
Notes receivable (Notes 4 & 8)	197,325	3	298,302	5
Accounts receivable (Notes 4 & 8)	1,305,762	22	1,373,781	22
Receivables from related parties (Notes 8 & 29)	44,814	1	24,088	1
Other receivables (Note 29)	62,778	1	170,376	3
Inventories (Notes 4 & 9)	564,075	9	621,998	10
Prepayment for lease – Current (Notes 17)	456	-	621	-
Noncurrent assets held for sale (Notes 4 & 10)	-	-	70,731	1
Other current assets (Note 18)	56,245	1	75,098	1
Total current assets	3,528,980	59	3,874,578	63
Noncurrent Assets				
Financial assets carried at cost – Noncurrent (Notes 4 & 11)	60,055	1	45,055	1
Investments accounted for using equity method (Notes 4 & 13)	844,567	14	601,926	10
Property, plant and equipment (Notes 4 & 14)	1,328,591	22	1,406,118	23
Investment property net (Notes 4 & 15)	26,433	1	27,526	-
Other intangible assets (Notes 4 & 16)	4,044	-	1,626	-
Deferred income tax assets (Notes 4 & 24)	52,941	1	54,087	1
Prepayment for lease – Noncurrent (Note 17)	22,923	-	23,729	-
Other noncurrent assets (Note 18)	127,506	2	140,576	2
Total noncurrent assets	2,467,060	41	2,300,643	37
Total Assets	$5,996,040	100	$6,175,221	100
Liabilities and Equity				
Current Liabilities				
Short-term loans (Note 19)	$ 509,476	9	$ 418,319	7
Short-term notes and bills payable (Note 19)	99,912	2	99,973	2
Financial liabilities at fair value through profit or loss - Current (Notes 4 & 7)	6,418	-	-	-
Notes payable	13,047	-	23,971	-
Accounts payable	293,871	5	234,830	4
Accounts payable – Related parties (Note 29)	87,460	1	88,010	1
Other payables	260,077	4	288,924	5
Income tax liabilities for the year (Notes 4 & 24)	30,632	1	30,144	1
Liabilities directly associated with noncurrent assets held for sale (Notes 4 & 10)	-	-	70,731	1
Current portion of long-term liabilities (Note 19)	483,901	8	523,836	8
Other current liabilities	9,327	-	14,497	-
Total current liabilities	1,794,121	30	1,793,235	29
Noncurrent Liabilities				
Financial liabilities at fair value through profit or loss – Noncurrent (Notes 4 & 7)	-	-	3,860	-
Bonds payable (Note 20)	-	-	475,195	8
Deferred income tax liabilities (Notes 4 & 24)	135	-	-	-
Long-term loans (Note 19)	1,020,000	17	300,000	5
Net defined benefit liability – Noncurrent (Notes 4 & 21)	16,233	-	13,010	-
Other liabilities – Others	-	-	50,000	1
Total noncurrent liabilities	1,036,368	17	842,065	14
Total Liabilities	2,830,489	47	2,635,300	43
Equity (Note 22)				
Capital stock				
Capital – common stock	1,324,665	22	1,741,665	28
Capital surplus	408,627	7	496,707	8
Retained earnings				
Appropriated as legal reserve	152,976	2	143,907	2
Appropriated as special reserve	162,918	3	162,918	3
Unappropriated earnings	408,801	7	409,230	7
Other equity				
Exchange differences on translation of foreign financial statements	84,681	2	131,780	2
Treasury stock	-	-	(244,015)	(4)
Equity attributable to the company	2,542,668	43	2,842,192	46
Noncontrolling interests	622,883	10	697,729	11
Total equity	3,165,551	53	3,539,921	57
Total Liabilities and Equity	$5,996,040	100	$6,175,221	100

The accompanying notes are an integral part of the consolidated financial statements.

(Please see the auditors' report issued on Mar. 10, 2016 by Deloitte & Touche.)

K LASER Technology Inc. and Subsidiaries
Consolidated Income Statement
January 1 to December 31, 2015 and 2014

(NTD in Thousands, Except Earnings Per Share)

	2015 Amount	%	2014 Amount	%
Revenue	$4,056,697	100	$4,215,580	100
Cost of Sales	3,070,656	76	3,106,472	73
Gross profit	986,041	24	1,109,108	27
Realized gross profit (loss) on sales	26,866	1	12,964	-
Gross profit net	1,012,907	25	1,122,072	27
Operating expenses				
Marketing	254,350	6	319,305	8
General and administrative	289,292	7	352,550	8
Research and development	179,755	5	178,035	4
Total operating expenses	723,397	18	849,890	20
Income from operations	289,510	7	272,182	7
Non-operating income and expenses				
Net Profit(loss) from associates and joint ventures accounted by equity method	1,108	-	49,417	1
Loss on disposal of property, plant and equipment	(8,305)	-	(13,339)	-
Foreign exchange gain	13,763	-	52,661	1
Valuation gain(loss) on financial assets and liability, net	704	-	2,397	-
Miscellaneous expenses	(44,444)	(1)	(70,090)	(1)
Gain on disposal of investment	4,138	-	1,713	-
Impairment loss (Note 14)	-	-	(71,502)	(2)
Interest income	8,256	-	9,647	-

(Carried forward)

(Brought forward)

	2015 Amount	%	2014 Amount	%
Other incomes — Others	17,616	1	29,063	1
Interest expenses	(33,751)	(1)	(32,840)	(1)
Total non-operating income and expenses	(40,915)	(1)	(42,873)	(1)
Income before income tax	248,595	6	229,309	6
Income tax expenses (Note 24)	(65,221)	(2)	(36,612)	(1)
Net income for the year	183,374	4	192,697	5
Other comprehensive income (loss)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit obligation	(3,307)	-	(2,482)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign financial statements	(49,042)	(1)	127,644	3
Total other comprehensive income (loss)	(52,349)	(1)	125,162	3
Total comprehensive income for the year	$ 131,025	3	$ 317,859	8
Net income attributable to:				
Shareholders of the company	$ 164,346	4	$ 90,690	2
Noncontrolling interests	19,028	1	102,007	3
	$ 183,374	5	$ 192,697	5
Total comprehensive income (loss) attributable to:				
Shareholders of the company	$ 113,940	3	$ 211,663	5
Noncontrolling interests	17,085	-	106,196	3
	$ 131,025	3	$ 317,859	8
Earnings per share (Note 25)				
From continuing operations				
Basic	$ 1.12		$ 0.56	
Diluted	$ 0.96		$ 0.48	

The accompanying notes are an integral part of the consolidated financial statements.
(Please see the auditors' report issued on Mar. 10, 2016 by Deloitte & Touche.)

K LASER Technology Inc. and Subsidiaries
Consolidated Statement of Changes in Shareholders' Equity
January 1 to December 31, 2015 and 2014

Unit: NTD in Thousands

	Equity attributable to shareholders of the company								
			Retained earnings						
	Capital – common stock	Capital surplus	Appropriated as legal reserve	Appropriated as special reserve	Unappropriated earnings	Foreign currency translation reserve	Treasury stock transaction	Noncontrolling interests	Total equity
Balance, January 1, 2014	$1,674,492	$ 452,032	$ 121,122	$ 162,977	$ 478,166	$ 8,325	($ 92,522)	$ 448,510	$3,253,102
Appropriation and distribution of earnings for 2013									
Legal reserve	-	-	22,785	-	(22,785)	-	-	-	-
Cash dividends to shareholders	-	-	-	-	(104,923)	-	-	-	(104,923)
Adjustment from differences between purchase price and carrying amount arising from acquisition or disposal of subsidiaries	-	51,523	-	(59)	59	-	-	-	51,523
Equity recognized from issuance of convertible bond	-	16,000	-	-	-	-	-	-	16,000
Adjustments of changes in associates and jointed venture in equity method	-	217	-	-	-	-	-	-	217
Net income in 2015	-	-	-	-	90,690	-	-	102,007	192,697
Other comprehensive income (loss) in 2014	-	-	-	-	(2,482)	123,455	-	4,189	125,162
Conversion of convertible bonds	147,173	4,871	-	-	-	-	-	-	152,044
Purchase of treasury stock	-	-	-	-	-	-	(288,924)	-	(288,924)
Cancellation of treasury stock	(80,000)	(27,936)	-	-	(29,495)	-	137,431	-	-
Noncontrolling interests	-	-	-	-	-	-	-	143,023	143,023
Balance, December 31, 2014	1,741,665	496,707	143,907	162,918	409,230	131,780	(244,015)	697,729	3,539,921
Appropriation and distribution of earnings for 2014									
Legal reserve	-	-	9,069	-	(9,069)	-	-	-	-
Cash dividends to shareholders of the company	-	-	-	-	(55,008)	-	-	-	(55,008)
Adjustment from differences between purchase price and carrying amount arising from acquisition or disposal of subsidiaries	-	5,131	-	-	-	-	-	-	5,131
Net income in 2015	-	-	-	-	164,346	-	-	19,028	183,374
Other comprehensive income (loss) in 2015	-	-	-	-	(3,307)	(47,099)	-	(1,943)	(52,349)
Purchased treasury stock	-	-	-	-	-	-	(363,587)	-	(363,587)
Cancellation of treasury stock	(417,000)	(93,211)	-	-	(97,391)	-	607,602	-	-
Noncontrolling interests	-	-	-	-	-	-	-	(91,931)	(91,931)
Balance, December 31, 2015	$1,324,665	$ 408,627	$ 152,976	$ 162,918	$ 408,801	$ 84,681	$ -	$ 622,883	$3,165,551

The accompanying notes are an integral part of the consolidated financial statements.
(Please see the auditors' report issued on Mar. 10, 2016 by Deloitte & Touche.)

K LASER Technology Inc. and Subsidiaries
Consolidated Statements of Cash Flows
January 1 to December 31, 2015 and 2014

Unit: NTD in Thousands

	2015	2014
Cash flows from operating activities		
Income before income tax	$ 248,595	$ 229,309
Incomes and expenses not influencing cash flows:		
Depreciation expense	202,638	207,202
Amortization expense	2,920	1,104
Addition(Reverse) of bad debt	(4,406)	60,400
Net loss (gain) on financial assets and liabilities measured at fair value through profit or loss	(704)	(2,397)
Interest expenses	33,751	32,840
Interest income	(8,256)	(9,647)
Share of profits of associates and joint ventures evaluated with equity method	(1,108)	(49,417)
Loss on disposal and obsolescence of property, plant and equipment	8,305	13,339
Gain on disposal of investment	(4,138)	(1,713)
Impairment loss	-	71,502
Amortization of prepaid lease payments	464	449
Changes in operating assets and liabilities:		
Decrease (increase) in notes receivable	100,977	(46,229)
Decrease (increase) in accounts receivable	73,878	(232,385)
Decrease (increase) in accounts receivable－Related parties	(20,726)	14,657
Decrease (increase) in other receivables	107,598	(65,241)
Decrease (increase) in inventories	57,923	(101,093)
Decrease in other current assets	18,853	55,576
Increase in other noncurrent assets	(3,662)	(853)
Increase (decrease) in notes payable	(10,924)	5,987
Increase in accounts payable	59,041	19,573
Decrease in accounts payable－Related parties	(550)	(9,543)
Increase (decrease) in other payables	(11,385)	35,477
Increase (decrease) in other non-current liabilities	(50,000)	49,971
Increase (decrease) in other current liabilities	(5,170)	6,652
Decrease in accrued pension liabilities	(84)	(11,378)

(Carried forward)

(Brought forward)

	2015	2014
Cash generated by operating activities	793,830	274,142
Received interest	8,256	9,647
Paid interest	(24,922)	(30,429)
Paid income interest	(63,235)	(28,944)
Net cash generated by operating activities	713,929	224,416
Cash flows from investing activities		
Acquisition of the financial assets measured at fair value through profit or loss that are designated when such assets are recognized	(168,857)	(371,796)
Disposal of the financial assets measured at fair value through profit or loss that are designated when such assets are recognized	251,558	296,416
Acquisition of investment in debt instrument without active market	(30,093)	-
Disposal of investment in debt instrument without active market	30,251	-
Acquisition of financial assets carried at cost	(15,000)	(15,000)
Acquisition of long-term investment evaluated under equity method	(253,942)	-
Acquisition of property, plant and equipment	(180,473)	(244,214)
Disposal of property, plant and equipment	9,424	19,411
Decrease in refundable deposits	12,015	2,652
Decrease in other receivables	-	63,752
Increase (decrease) in restricted assets	4,500	(29,053)
Acquisition of intangible assets	(4,152)	(1,100)
Received dividends from.j associates	10,472	4,790
Net cash used in investing activities	(334,297)	(274,142)
Cash flows from financing activities		
Increase (decrease) in short-term loans	91,157	(19,205)
Increase in short-term notes and bills payable	-	100,000
Issuance of convertible bonds	-	495,000
Increase in long-term loans	720,000	285,526
Decrease in long-term loans	(523,836)	(561,690)
Payment of cash dividend	(55,008)	(104,923)
Purcahse of treasury stock	(363,587)	(288,924)
Procedd from disposal of partial equity of subsidiaries	11,505	26,090
Changes in noncontrolling interests	(98,305)	168,456
Net cash generated by (used in) financing activities	(218,074)	100,330
Effect of exchange rate changes on cash and cash equivalents	(26,007)	64,675
Increase in cash and cash equivalents for the year	135,551	115,279

(Carried forward)

(Brought forward)

	2015	2014
Cash and cash equivalents, beginning of year	1,106,260	991,820
Cash and cash equivalents, end of year	$ 1,241,811	$ 1,107,099

Adjustment of cash and cash equivalents, end of year

	December 31, 2015	December 31, 2014
Cash and cash equivalents on the Consolidated Balance Sheet	$ 1,241,811	$ 1,106,260
Cash and cash equivalents included in assets held for sale or disposal	-	839
Cash and cash equivalents, end of year	$ 1,241,811	$ 1,107,099

The accompanying notes are an integral part of the consolidated financial statements.

(Please see the auditors' report issued on Mar. 10, 2016 by Deloitte & Touche.)

K LASER Technology Inc. and Subsidiaries
Notes to Consolidated Financial Statements
January 1 to December 31, 2015 and 2014
(Amounts NTD in Thousands, unless specified otherwise)

I. General

K LASER Technology Inc. (hereinafter referred to as K Laser or the Company), which was incorporated in April 1988 in Hsinchu Science-based Industrial Park, engages mainly in research, development, production, manufacturing and sale of materials and equipment specifically used for holography products and embossing holography products, optical coating and import and export of various products relevant to the above items.

The shares of the company were traded in the Taipei Exchange on December 9, 1999 and listed on the Taiwan Stock Exchange on September 17, 2001.

The accompanying consolidated financial statements are expressed in terms of the functional currency of the Company.

II. Authorization of Financial Statements

The consolidated financial statements were approved by the board of directors on March 10, 2106.

III. Application of New and Revised International Financial Reporting Standards

(I) Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of International Financial Reporting Standards (IFRIC), and Interpretations of IAS (SIC) endorsed by the Financial Supervisory Commission:

According to the Rule No. 1030029342 and Rule No. 1030010325 issued by Financial Supervisory Commission (hereinafter referred to as FSC), the 2013 IFRS, IAS, IFRIC and SIC (hereinafter referred to as IFRSs) versions issued by International Accounting Standards Board (IASB) and endorsed by FSC and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers should be adopted by the Company and the entities controlled by the Company (hereinafter referred to as the Consolidated Companies) starting 2015.

Except as otherwise specified below, as a result of the adoption of the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 2013 IFRSs version, the following items would not have any material impact on the accounting policies of the Consolidated Companies:

1. IFRS 12 “Disclosure of Interests in Other Entities”:

   IFRS 12 is applicable to entities that have interests in subsidiaries, joint arrangements or associates and to structured entities that are not included in consolidated financial statements.

2. Amendments to IAS 28 “Investments in Associates and Joint Ventures”:

   According to the amendments to the standard, the Consolidated Companies are required to recognize the associates classified to have satisfied the held-for-sale conditions as associates held for sale, and use equity method continuously to measure stock rights not classified as stock rights held for sale. Prior to adoption of the amendments, when an associate satisfies the held-for-sale conditions, the Consolidated Companies shall recognize the associate immediately and stop using equity method to measure the associate.

3. IFRS 13 “Fair Value Measurement”:

   IFRS 13 establishes a single source of guidance for fair value measurement. It defines fair value, establishes a framework for measuring fair value and requires disclosure about fair value measurements. The disclosure requirements in IFRS 13 are more extensive than those required in the past standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy previously required for financial instruments only are extended by IFRS 13 to cover all assets and liabilities within its scope.

   The measurement requirements of IFRS 13 have been applied prospectively from 2015.

4. Amendments to IAS 1 ”Presentation of Items of Other Comprehensive Income”:

   According to the amendments to IAS 1, the items of other comprehensive income are grouped into two categories: (1) items that may not be reclassified subsequently to profit or loss, and (2) items that may be reclassified subsequently to profit or loss when specific conditions are met. In addition, income tax on items of other comprehensive income is also required to be allocated on the same basis. Prior to adoption of the amendments, there was no mandatory regulation requiring the aforementioned grouping.

   The Consolidated Companies applied the aforementioned amendments retroactively in 2015. The items that may not be reclassified subsequently to profit or loss include remeasurement of defined benefit obligation, and the share of actuarial gains or losses of associates evaluated with equity method. Items that may be reclassified subsequently to profit or loss include exchange differences on translation of foreign financial statements, and the share of other comprehensive income of associates and joint venture (except the share of the remeasurement of defined benefit obligation). Implementation of the aforementioned amendments did not influence net income, other comprehensive income or loss after tax, or comprehensive profit or loss for the year.

5. IAS 19 “Employee Benefits”:

   The amendments to IAS 19 require to recognize the changes in defined benefit obligation and the changes in fair value of plan assets when they incur. In addition, the amendments eliminate the accounting treatment of corridor approach and facilitate recognition of the past service cost. All remeasurement of defined benefit obligation is required to be recognized immediately through other comprehensive income in order to have net pension assets or liabilities that have been recognized reflect overall value of plans in terms of deficiency or surplus.

   Furthermore, net interest replaces expected reward of interest cost and plan assets applied prior to adoption of the amendments and net defined benefit liability (asset) multiplied by discount rate is used to determine net interest. The amendments to IAS 19 not only change the way of expressing defined benefit cost, but also require more disclosures.

6. Amendments to IFRS 7 “Disclosure－Offsetting Financial Assets and Financial Liabilities”:

   The amendment’s new offsetting disclosures include financial instruments that are subject to an enforceable master netting agreement or similar agreement (such as agreement to provide collateral).

7. Amendments to IAS 32 “Offsetting Financial Assets and Financial Liabilities”:

   The amendments specify that a financial asset and a financial liability should be offset only when the entity “has a legally enforceable right to set off the amounts” and “intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.”

8. “Annual Improvements to 2009–2011 Cycle”:

   Annual Improvements to 2009–2011 Cycle amend IFRS 1 ”First-time Adoption of IFRSs”, IAS 1 “Presentation of Financial Statements”, IAS 16 ”Property, Plant and Equipment”, IAS 32 “Financial Instruments: Presentation” and IAS 34 “Interim Financial Reporting”.

   The amendment to IAS 1 specifies that when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements, it must also present a statement of financial position (balance sheet) as at the beginning of the earliest comparative period. Hence, the Consolidated Companies must present a balance sheet of the beginning of the previous reporting period, but is not required to present the footnotes.

   The amendments to IAS 16 specify that any and all spare parts, spare equipment and maintenance equipment defined as property, plant and equipment shall be recognized in accordance with IAS 16. Items not meeting such definition shall be recognized as inventories.

   The amendments to IAS 32 specify that income tax on transaction cost for owners’ and e1quity transactions shall be delt with in accordance with IAS 12 “Income Taxes.”

   The amendments to IAS 34 specify that if total segment liabilities are regularly provided to the chief operating decision maker of the Consolidated Companies, and there was a significant change to the amount disclosed in the financial statement of the previous reporting period, the amount shall be disclosed in the interim financial report.

9. Recognition and measurement of financial liabilities at fair value through profit or loss:

   The amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers specify that the changes in fair value of financial liabilities at fair value through profit or loss generated due to change of credit risk shall be recognized in other comprehensive income or loss, and will not be reclassified to profit or loss. Remaining changes in fair value of such liabilities are recognized in profit or loss. If the aforementioned accounting treatment triggers or aggravate accounting mismatch, all profits and losses of such liabilities are recognized in profit or loss for the year.

(II) The IFRSs issued by IASB but not endorsed by FSC

The Consolidated Companies have not applied the following IFRSs issued by the IASB but not endorsed by FSC. FSC announced on March 10, 2016 that the IFRSs to be applied from 2017 comprise the IFRSs announced by IASB before January 1, 2016 and being effective on January 1, 2017 (not including IFRS 9 “Financial Instruments”, IFRS 15 “Revenue from Contracts with Customers” and other IFRSs that have not become effective or do not have a date of effectiveness.) Besides, FSC also announced that all listed companies in the R.O.C. should start applying IFRS 15 from 2018. As of the date that the consolidated financial statements were authorized for issue, the initial adoption to the following new, amended or revised standards and interpretations, except those mentioned above, is still subject to the effective date to be published by FSC.

New, Amended or Revised Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date and Transition Disclosure”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	Effective date to be determined
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendments to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred	January 1, 2017

Tax Assets for Unrealized Losses"	
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendments to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
Amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

Note 1: The aforementioned new, amended or revised standards or interpretations are effective after fiscal year beginning on or after the effective dates, unless specified otherwise.

Note 2: Amendments to IFRS 2 are applied immediately to the share-based payment transactions with a grant date after July 1, 2014. Amendments to IFRS 3 are applied immediately to the business mergers with an acquisition date after July 1, 2014. IFRS 13 comes into effect upon amendment. The remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendments to IFRS 5 are applied prospectively on or after January 1, 2016. The remaining amendments are effective for annual periods beginning on or after January 1, 2016.

Except for the following, the application of the above new, amended or revised standards or interpretations has not had any material impact on the accounting policies of the Consolidated Companies:

1. IFRS 9 "Financial Instruments"

   Recognition and Measurement of Financial Instruments

   All recognized financial assets currently in the scope of IAS 39, "Financial Instruments: Recognition and Measurement," will be subsequently measured at either the amortized cost or the fair value. The classification and measurement requirements in IFRS 9 are stated as follows:

   For the debt instruments invested by the Consolidated Companies, if the contractual cash flows that are solely for payments of principal and interest on the principal amount outstanding, the classification and measurement requirements are stated as follows:

   (1) If the objective of the Consolidated Companies' business models is to hold the financial assets to collect the contractual cash flows, such assets are measured at the amortized cost. Interest revenue should be recognized in profit or loss by using the effective interest method and continuously assessed for impairment, and the impairment loss or reversal of impairment loss should be recognized in profit and loss.

   (2) If the objective of the Consolidated Companies' business models is to hold the financial assets both to collect the contractual cash flows and to sell the financial assets, such assets are measured at fair value through other comprehensive income and are continuously assessed

for impairment. Interest revenue should be recognized in profit or loss by using the effective interest method. A gain or loss on a financial asset measured at fair value through other comprehensive income should be recognized in other comprehensive income except for impairment gains or losses and foreign exchange gains and losses. When such financial assets are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

The other financial assets which do not meet the aforementioned criteria should be measured at the fair value through profit or loss. However, the Consolidated Companies may irrevocably designate an investment in equity instruments that is not held for trading as measured at fair value through other comprehensive income. All relevant gains and losses on such financial assets shall be recognized in other comprehensive income, except for dividends which are recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

Impairment of Financial Assets

IFRS 9 adds a new expected loss impairment model to measure the impairment of financial assets. A loss allowance for expected credit losses should be recognized on financial assets measured at amortized cost, financial assets mandatorily measured at fair value through other comprehensive income, rents receivable, contractual assets or loan commitment generated from IFRS 15 "Revenue from Contracts with Customers" and financial guarantee contracts. If the credit risk on a financial instrument has not increased significantly since initial recognition, the Consolidated Companies should measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. If the credit risk on a financial instrument has increased significantly since initial recognition and is not deemed to be a low credit risk, the Consolidated Companies should measure the loss allowance for that financial instrument at an amount equal to the lifetime expected credit losses. The Consolidated Companies should always measure the loss allowance at an amount equal to lifetime expected credit losses for the accounts receivables that do not contain significant financial components.

Furthermore, when recognizing originated credit impaired financial assets, the Consolidated Companies calculate the effective interest rate after changes to credit rating based on expected credit loss. Expected credit losses are measured through a loss allowance at an amount equal to full lifetime expected credit losses.

2. Amendments to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"

When IASB announced IFRS 13 "Fair Value Measurement", it also amended disclosure requirements provided in IAS 36 "Impairment of Assets", making the Consolidated Companies be forced to disclose the recoverable amount in terms of assets or cash for each reporting period. The amendments to IAS 36 specify that the Consolidated Companies only need to disclose the recoverable amount in the period that impairment loss is recognized or reversed. Furthermore, if the recoverable amount is determined on the basis of fair value less costs of disposal using a present value technique, then the Consolidated Companies must disclose the discount rate.

3. IFRIC 21 “Levies”

   IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are contingent liabilities and those where the timing and amount of the levy is certain. The Consolidated Companies shall recognize a liability when the transaction or activity that triggers the payment of the levies occurs. Therefore, the liability is recognized progressively if the obligating event occurs over a period of time (e.g. accompanying revenue). If an obligation is triggered on reaching a minimum threshold (e.g. specific amount of revenue), the liability is recognized when that minimum threshold is reached.

4. Annual Improvements to 2010-2012 Cycle

   Annual Improvements to 2010-2012 Cycle amend IFRS 2 “Share-based Payment”, IFRS 3 “Business Combinations” and IFRS 8 Operating Segments.

   The amendments to IFRS 2 amend the definitions of vesting condition and market condition, and add definitions for performance condition and service condition. They clarify that performance goals set under the performance condition may use the market price (market condition) of operations (non-market condition) or equity instruments of the Consolidated Companies or other entities within the same group. The performance goals that are set may be related to the overall or partial (e.g. a specific department) performance of the Consolidated Companies, but the period for reaching performance goals may not be longer than the service period. Furthermore, the amendments clarify that stock price index goal is not a performance condition because it reflects on the performance of the Consolidated Companies and other enterprises.

   The amendments to IFRS 3 clarify contingent consideration of business combination. It shall be measured at fair value whether IAS 39 or IFRS 9 is applicable, and changes in fair value are recognized in profit or loss.

   The amendments to IFRS 8 clarify that if the Consolidated Companies aggregate operating segments that have similar economic characteristics for disclosure, they shall disclose judgments made by management in applying the aggregation criteria to allow two or more operating segments to be aggregated. Furthermore, the amendments also clarify that the Consolidated Companies only need to disclose reconciliations of total segment assets to their total assets when regularly providing the information to the chief operating decision maker.

   The amendments to IFRS 13 clarify that after adoption of IFRS 13, if discounting has no significant impact on the short-term receivables and payables for which no interest rate is set, they may be carried at the amount of the original invoice.

   The amendments to IAS 24 “Related Party Disclosures” clarify that an entity providing key management personnel services to the Consolidated Companies is a related party of the Consolidated Companies, and the amount paid or payable for the key management personnel services provided by the entity shall be disclosed. However, disclosure of the compensation paid or payable by the management entity to the management entity's employees or directors is not required.

5. Annual Improvements to 2011-2013 Cycle

Annual Improvements to 2011-2013 Cycle amend IFRS 3, IFRS 13 and IAS 40 "Investment Property".

The amendments to IFRS 3 clarify that IFRS 3 is not applicable to accounting treatment regarding establishment of a joint agreement in the financial statements.

The amendments to IFRS 13 clarify that the scope of exceptions to financial assets and financial liabilities permitted to be measured on a net basis (i.e. "portfolio exceptions") includes contracts accounted for within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 "Financial Instruments: Representation."

The amendments to IAS 40 clarify that the Consolidated Companies are required to determine based on IAS 40 and IFRS 3 whether an acquired investment property is attributed to acquired assets or business combinations.

6. Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"

An enterprise has to use proper depreciation and amortization methods to inflect expected manner of depletion of future economic benefits of property, plant and equipment and intangible assets.

According to the amendments to IAS 16 "Property, Plant and Equipment," income is not the appropriate basis to measure depreciation expenses of property, plant and equipment. No exception is provided in such amendments to allow depreciation expenses to be allocated based on income.

The amendments to IAS 38 "Intangible Assets" specify that income is not the appropriate basis to measure amortization expense of intangible assets, except for the following finite situations:

(1) Intangible assets are represented through measured income. (For example, a specific threshold is specified in the contract, and the intangible assets cannot be used after income has reached the threshold.)
(2) It has been proved that income highly correlates with levels of depletion of economic effects of intangible assets.

The above amendments are applied prospectively on or after the date of effectiveness and may be applied early.

7. IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations.

When applying IFRS 15, the Consolidated Companies shall recognize revenue by applying the following steps:

(1) Identify the contract with the customer;
(2) Identify the performance obligations in the contract;
(3) Determine the transaction price;
(4) Allocate the transaction price to the performance obligations in the contracts; and

(5) Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 is effective, the Consolidated Companies may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

8. Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

According to the amendments, in case the Consolidated Companies sell or invest assets to or in an associate or lose their control over a subsidiary in a transaction with an associate, but still maintain great influence on the subsidiary, the Consolidated Companies shall recognize all profits or losses of the transaction if the above assets or subsidiary meet the definition provided for "business" in IFRS 3.

In addition, in case the Consolidated Companies sell or invest assets to or in an associate or lose their control over a subsidiary in a transaction with an associate, but still maintain great influence on the subsidiary, the Consolidated Companies shall recognize profits or losses of the transaction only within the range of the equity of the associate irrelevant to investors if the above assets or subsidiary fail to meet the definition provided for "business" in IFRS 3. In other words, the share of profits or losses attributable to the Consolidated Companies has to be eliminated.

9. Annual Improvements to 2012-2014 Cycle

Annual Improvements to 2012-2014 Cycle amend IFRS 5 "Noncurrent Assets Held for Sale and Discontinued Operations", IFRS 7, IAS 19 and IAS 34. The amendment to IFRS 5 reclassifies noncurrent assets (or disposal groups) that are "held-for-sale" and "held for distribution to owners," and does not change plans to sell or distribute to owners. Hence, there is no need to change the accounting treatment for classifications. Furthermore, when noncurrent assets "held for distribution to owners" no longer meet the conditions for distribution (and also do not meet the conditions for sale), the noncurrent assets shall be treated the same as when an asset no longer qualifies for held-for-sale.

10. IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 "Leases" and a number of related interpretations.

Under IFRS 16, if any of the Consolidated Companies is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Consolidated Companies may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the consolidated income statement, the Consolidated Companies should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the consolidated statement of cash flows, cash payments for both the principal and interest portion of the lease liability are classified within financing activities.

Accounting treatment for the Consolidated Companies as the lessor results in no significant influence.

When IFRS 16 becomes effective, the Consolidated Companies may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

11. Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”

The amendments to IAS 12 mainly clarify that regardless of whether the Consolidated Companies intend to collect return on debt instruments measured at fair value through sale or contractual cash flow, temporary difference should be the difference between the asset measured at fair value and measured at cost for tax purposes, regardless of whether or not there is unrealized loss on the debt instruments.

Furthermore, unless tax law restricts the types of deductible income of deductible temporary differences, similar deductible temporary differences should be evaluated as to whether or not they are listed as deferred income tax assets, otherwise all deductible temporary differences should be evaluated as a whole. When evaluating whether or not to recognize deferred income tax assets, if there is enough evidence that shows the Consolidated Companies will very likely recover the asset at an amount higher than book value, then the carrying amount of the asset during recovery is not limited to its book value when estimating future taxable income, which should exclude the tax effects of deductible temporary differences.

Except for the aforementioned impact, as of the date that the accompanying parent company only financial statements were authorized for issue, the Consolidated Companies continue in evaluating the impact on their financial position and financial performance as a result of the initial adoption of the other standards or interpretations. The related impact will be disclosed when the Consolidated Companies complete the evaluation.

IV. Summary of Significant Accounting Policies

The consolidated financial statement of the Company have been prepared in Chinese. These consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language financial statements, the Chinese version shall prevail.

(I) Statement of Compliance

The accompanying consolidated financial statements have prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by FSC.

(II) Basis of Preparation

The accompanying consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values.

Relevant inputs used to measure fair value are classified as level 1 to level 3 based on observables and significance of such inputs:

1. Lever 1 inputs: They refer to the prices (not adjusted) of identical assets or liabilities available in an active market at the date of measurement.
2. Lever 2 inputs: They refer to the inputs observable directly (i.e. prices) or indirectly (i.e. results inferred from prices) for the assets or liabilities, except level 1 prices.

3. Lever 3 inputs: They refer to the inputs unobservable for the assets or liabilities.

(III) Classification of Current and Noncurrent Assets and Liabilities

Current assets include:

1. Assets held for trading purposes;
2. Assets expected to be realized within 12 months from the reporting date; and
3. Cash and cash equivalents (exclusive of those restricted for the purpose of exchange or repayment of liabilities after 12 months from the date of balance sheet).

Current liabilities include:

1. Liabilities held for trading purposes;
2. Liabilities expected to be settled within 12 months from the reporting date; and
3. Liabilities of which the settlement deadline is not permitted to be extended unconditionally to any day beyond 12 months from the date of balance sheet; the classification is not influenced if liabilities are repaid by equity instruments issued at the counterparty's option in compliance with the terms and conditions of the liabilities.

Items attributed to neither abovementioned current assets nor abovementioned current liabilities are classified as noncurrent assets or noncurrent liabilities.

(IV) Basis of Consolidation

The accompanying consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries). Income and expenses of subsidiaries acquired or disposed of are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate. Adjustments have already made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Consolidated Companies. All intra-group transactions, account balances, income and expenses are eliminated in full on consolidation. Total comprehensive income of subsidiaries is attributed to the shareholders of the Company and to the noncontrolling interests even if this results in the noncontrolling interests having a deficit balance.

Changes in the Consolidated Companies' ownership interests in subsidiaries that do not result in the Consolidated Companies losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Consolidated Companies' interests and the noncontrolling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to shareholders of the Company.

(V) Foreign Currencies

In preparing the financial statements of each individual consolidated entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

Monetary items in foreign currency are converted at the closing rate at the balance sheet date. Exchange differences generated from settlement or conversion of monetary items are recognized in profit or loss for the year.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in foreign currencies and translated at the rates of exchange prevailing at the dates of the transactions are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the foreign operations (including K Laser's subsidiaries and associates that use any currency different from that used by K Laser or that operate in any nation different from the nation where K Laser operates) are translated into New Taiwan dollars using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income.

If the Consolidated Companies dispose of all equity of a foreign operation or a subsidiary of the foreign operation and then lose their control over the foreign operation or the subsidiary, or if the equity retained after disposal of the joint agreement of a foreign operation or an associate is a financial assets and is treated in accordance with the accounting policy made for financial instruments, then accumulated exchange differences attributable to proprietors of the Consolidated Companies and relevant to the foreign operation are reclassified as profit or loss.

If the Consolidated Companies do not lose their control over the subsidiary of the foreign operation after part of the subsidiary is disposed, accumulated exchange differences are proportionally assigned to non-controlled interests of the subsidiary, instead of profit or loss. When any part of a foreign operation is disposed, accumulated exchange differences are reclassified as profit or loss at the proportion of disposal.

(VI) Inventories

Inventories include raw materials, materials, finished goods and work in process. Inventories are measured at the lower of cost or net realizable value. Comparison of cost and net realizable value is made on an individual basis, except for inventories in the same category. Net realizable value represents the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventory cost is calculated with weighted average method.

(VII) Investment in Associates

An associate is an entity over which the Consolidated Companies have significant influence and that is neither a subsidiary nor a joint venture.

Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Consolidated Companies' share of profit or loss and other comprehensive income of the associate as well as the distribution received. The Consolidated Companies also recognize their share in the changes in equity of the associate.

Any excess of the cost of acquisition over the Consolidated Companies' share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and shall not be amortized. Any excess of the Consolidated Companies' share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognized immediately in profit or loss.

If the Consolidated Companies subscribe to additional shares in an associate at a percentage different from their existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Consolidated Companies' proportionate interest in the net assets of the associate. The Consolidated Companies record such a difference as an adjustment to capital surplus (with respect to changes in net stock rights of the associate or joint venture recognized with the equity method) and to investments recognized with the equity method. If the Consolidated Companies' ownership interest is reduced due to the additional subscription to the shares of the associate or joint venture by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate shall be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities. If capital surplus is debited for the aforementioned adjustment and the balance of capital surplus generated from the investments measured with equity method is insufficient, then retained earnings are debited for such difference.

When the Consolidated Companies' share of loss on an associate equals or exceeds their interests in the associate (including the carrying amount of the associate carried with equity method, and other long-term interests comprising net investment in the associate by the Consolidated Companies), further losses are not recognized any more. The Consolidated Companies recognize additional losses and liabilities only when legal or constructive obligation occurs or when paying for the associate.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company ceases using equity method on the date when associates are not their investments. After that, retained interests in the associates are measured at fair value. The fair value of retained interests and the difference between the gains on disposal and the carrying amount of the investments on the date when the Company ceases using equity method are recognized in profit or loss for the year. The proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to the associate shall be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities. If the investment in an associate becomes the investment in a joint venture, or the investment in a joint venture becomes the investment in an associate, the

Company will adopts equity method continuously and will not remeasure retained interest.

When the Consolidated Companies transact with an associate, profits and losses resulting from the upstream, downstream and sidestream transactions with the associate are recognized in the Consolidated Companies' consolidated financial statements only to the extent of interests in the associate that are not owned by the Consolidated Companies.

(VIII) Property, Plant and Equipment

Properties, plants and equipment are stated at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment.

Each significant property, plant and equipment is depreciated singly over its expected useful life with the straight-line method. However, when the lease term of such asset is shorter than its expected useful life, it is depreciated over the lease term. The Consolidated Companies review the estimated useful lives, residual values and depreciation method at least at the end of each fiscal year, with the effect of any changes in estimates accounted for on a prospective basis.

The difference between the sales proceeds and the carrying amount of an item of property, plant and equipment upon its disposal or retirement is recognized in profit or loss.

(IX) Investment Property

Investment property refers to real estate possessed for earning rents or/and increasing capital in value.

Investment property is initially carried at cost (including transaction cost) and subsequently measured at cost less accumulated depreciation and accumulated impairment loss. The Consolidated Companies use the straight-line method to allocate depreciation.

When investment property is derecognized, the difference between the net gain on disposal and the carrying amount of the asset is recognized in profit or loss.

(X) Intangible Assets

1. Separate acquisition

   Separately acquired intangible assets with finite useful lives are carried at cost and measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized using the straight-line method over the estimated useful lives of the intangible assets. The estimated useful lives, residual values and depreciation method are at least reviewed at the end of each fiscal year, with the effect of any changes in estimates accounted for on a prospective basis. Intangible assets with uncertain useful lives are stated at cost less accumulated impairment losses.

2. Derecognition

   When an intangible asset is derecognized, the difference between the net gain on disposal and the carrying amount of the asset is recognized in profit or loss for the year.

(XI) Impairment of Tangible and Intangible Assets

The Consolidated Companies review the carrying amounts of its tangible and intangible assets at the balance sheet date to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated. When it is not possible to estimate the recoverable amount of an individual asset, the Consolidated Companies estimate the recoverable amount of the cash-generating unit to which the asset belongs.

For the intangible assets of which the useful lives are uncertain and which are not available to be used, the review is conducted at least annually or when any indication of impairment loss exists.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset or a cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount (after deduction of amortization or depreciation) that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(XII) Noncurrent assets held for sale

Noncurrent assets are classified as noncurrent assets held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the noncurrent asset is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

If the sale involves loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale, regardless of whether a noncontrolling interest in its former subsidiary is retained after the sale.

When all investments in all or part of associates or joint ventures are disposed under the committed sale plan, the stock rights satisfying the held-for-sale conditions are recognized as items held-for-sale, and equity method shall not apply to such portion. Stock rights not classified as items held-for-sale are measured with equity method continuously. If there is no more significant power or joint control over the investment after the disposal, stock rights not classified as items held-for-sale will be dealt with in accordance with the accounting policy made for financial instruments when stock rights held-for-sale are disposed.

Noncurrent assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Recognition of depreciation of such assets would cease.

The subsidiaries, joint operations, joint ventures, associates, part of interests in joint ventures and part of interests in associates that do not meet held-for-sale conditions any more are measured at carrying amounts as if they had not been classified as items held-for-sale. The financial statements in which they are recognized as items held-for-sale are also modified accordingly.

(XIII) Financial Instruments

Financial assets and liabilities are recognized in the consolidated balance sheet when the Consolidated Companies become a party to the contractual provisions of the instruments.

Financial assets and liabilities are initially recognized at fair values. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, other than financial assets and financial liabilities at fair value through profit or loss, are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition or issue of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1. Financial Assets

When financial assets are purchased or sold by convention, derivatives are dealt with based on settlement accounting, and all the other financial assets are dealt with based on trade accounting.

(1) Measurement type

Financial assets held by the Consolidated Companies include financial assets at fair value through profit or loss, and loans and accounts receivable.

A.Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading purposes and financial assets at fair value through profit or loss. The aforementioned financial assets are measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

If financial assets at fair value through profit or loss are equity instrument investments without open quotation in an active market and the fair value of such financial assets cannot be measured in a reliable way, or are derivative instruments linked to these unquoted equity instruments and requiring payment of equity instruments transactions, then such financial assets shall be carried at the cost subtracting the impairment loss and listed as financial assets carried at cost. When the fair value of the financial assets can be measured in a reliable way, the financial assets will be carried at the fair value. The difference between the carrying amount and the fair value is listed in profit or loss.

B. Loans and receivables

Loans and receivables (including accounts receivable, cash and cash equivalents, etc.) are measured at amortized cost using the effective interest method, less any impairment, except for those short-term accounts receivable with immaterial interest.

Cash equivalents, for the purpose of meeting short-term cash commitments, consist of highly liquid time deposits and investments that are readily convertible to known amounts of cash within 3 months from the date of acquisition and which are subject to an insignificant risk of changes in value.

(2) Impairment of financial assets

Financial assets, other than financial assets at fair value through profit or loss, are assessed by the Consolidated Companies for indicators of impairment at the balance sheet date. Those financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, their estimated future cash flows have been affected.

For financial assets carried at amortized cost, such as accounts receivable, assets that are assessed not to be impaired as there is no objective evidence of impairment are, in addition, assessed for impairment on a collective basis.

For financial assets carried at amortized cost, the amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss, directly or by adjustment of the allowance amount, to the extent that the carrying amount of the financial assets at the date the impairment loss is reversed does not exceed what the amortized cost would have been had the impairment loss not been recognized.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivables, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Except for the accounts receivable that are uncollectible and written off against the allowance account, changes in carrying amounts of the allowance account are recognized in profit or loss.

(3) Derecognition of financial assets

The Consolidated Companies derecognize a financial asset only when the contractual rights to the cash flows from the financial asset expire, or when the Consolidated Companies transfer the financial asset and substantially all the risks and rewards of ownership of the financial asset to another entity. On derecognition of a financial asset in its entirety, the difference between the financial asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

2. Equity instruments

Debt and equity instruments issued by the Consolidated Companies are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Consolidated Companies are recognized at the proceeds received, net of direct issue costs.

Equity instruments retrieved by the Company are recognized and subtracted from equity. The Company's own equity instruments purchased, sold, issued or cancelled are not recognized in profit or loss.

3. Financial liabilities

(1) Subsequent measurement

Except for the following, all financial liabilities are measured at amortized cost using effective interest method:

A. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial assets held for trading purposes and measured at fair value through profit and loss.

Financial liabilities held for trading purposes are measured at fair value through profit or loss, and any gains or losses arising on remeasurement are recognized in profit or loss.

(2) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable (including any transferred non-cash assets or assumed liabilities) is recognized in profit or loss.

4. Convertible bonds

Compound financial instruments (convertible bonds) are issued by the Consolidated Companies based on the definitions of financial liabilities and equity instruments stated in contracts and agreements, and are classified as financial liabilities and equity upon initial recognition.

In initial recognition, the fair value of the liability components is estimated based on the market rate of interest of a similar inconvertible instrument, and, before inversion or due date, is estimated based on the amortized cost calculated using the effective interest method. The liability components belonging to embedded non-equity derivative instruments are measured at fair value.

A conversion option classified as equity equals the overall fair value of the compound instrument subtracting the fair value of the liability components determined independently. After subtraction of the income tax, the remaining sum is recognized as equity and is not measured again later. When the conversion option is exercised, the corresponding liability component and the amount classified as equity are recognized as capital stock and capital surplus – at premium. If the conversion option of a convertible bond is not exercised before the due date, the amount recognized as equity will be recognized as capital surplus – at premium.

The transaction cost related to the issuance of convertible bonds is amortized to the instrument's liability components (recognized as carrying amount of liabilities) and equity components (recognized as equity) at the percent of amortization.

5. Derivative financial instruments

The Consolidated Companies enter into a variety of derivative financial instruments to manage their risk exposure to interest rate and foreign exchange rate, including forward exchange contracts and interest rate futures contracts.

Derivative financial instruments are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the balance sheet date. The resulting gain or loss is recognized in profit or loss immediately. Derivative financial instruments are recognized as financial assets when the fair value of such instruments is a positive, and are recognized as financial liabilities when the fair value of such instruments is a negative.

(XIV) Provision

Provisions are recognized when the Consolidated Companies has a present obligation (legal or constructive) as a result of a past event, it is probable that the Consolidated Companies will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows.

(XV) Recognition of revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Sales return refers to the amount of returned products reasonably estimated based on past experience and other relevant factors. Revenue from the sale of goods is recognized when the goods are delivered and titles have passed.

(XVI) Leases

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1. Consolidated Companies as the lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2. Consolidated Companies as the lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rents under a lease agreement are recognized as expenses for the year when they occur.

(XVII) Cost of borrowings

The borrowing cost which occurs for the acquisition of assets is a part of the cost of the assets, until the assets are ready for their intended use or to be sold, with all necessary activities completed.

If the temporary investment for which special loans are obtained is performed before eligible capital expenditure occurs, the investment income earned shall be subtracted from the borrowing cost eligible for capitalization.

Except as otherwise mentioned above, the cost of other borrowings is recognized in profit or loss in the year when such cost occurs.

(XVIII) Employee Benefits

1. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for service rendered by employees.

2. Retirement benefits

For defined contribution retirement benefit plans, payments to the benefit plan are recognized as an expense when the employees have rendered service entitling them to the contribution.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the Projected Unit Credit Method. Service cost, current service cost and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur or such plans are amended or reduced. Remeasurement, comprising actuarial gains and losses, changes in effect of asset limits and the return on plan assets, is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in other equity and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (remainder) in the defined benefit plan. Net defined benefit asset shall not exceed the contributions returned from the plan or the value of contributions to be reduced in the future.

3. Other long-term employee benefits

Other long-term employee benefits and the defined benefit retirement benefit plans are dealt with based on the same accounting method; however, relevant remeasurements are recognized in profit or loss.

(XIX) Share-based Payment Arrangements

Share-based payment of interests to employees is measured at fair value of equity instruments at the grant date.

The fair value of the stock option granted determined at the grant date of the stock options is expensed on a straight-line basis over the vesting period, based on the Consolidated Companies' estimate of the number of stock options that will eventually vest, with a corresponding increase in capital surplus - employee stock option. Those granted at the grant date are recognized as expenses at the grant date.

The Consolidated Companies amend their estimate of granted employee stock option at the balance sheet date. If the original estimate is amended, its effect is recognized in profit or loss so that accumulated expenses can reflect the amended estimate, with a corresponding adjustment of capital surplus - employee stock option.

(XX) Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

1. Current income tax

Income tax on unappropriated earnings at a rate of 10% is expensed in the year the shareholders approved the appropriation of earnings which is the year subsequent to the year the earnings are generated.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2. Deferred income tax

Deferred income tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred income tax liabilities are generally recognized for all taxable temporary differences. Deferred income tax assets are generally recognized for all deductible temporary differences, net operating loss carryforwards and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred income tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint venture, except where the Consolidated Companies are able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at the balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. The deferred income tax assets which originally not recognized is also reviewed at the balance sheet date and increased to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

Deferred income tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset is realized, based on tax rates and tax laws that have been enacted or substantively enacted by the date of balance sheet. The measurement of deferred income tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Consolidated Companies expect, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred income tax for the year

Current and deferred income tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred income tax are also recognized in other comprehensive income or directly in equity, respectively. If current income tax or deferred income tax is generated from business combination, the effect of income tax will be dealt with based on the accounting applicable to the business combination.

V. Critical Accounting Judgments and Key Sources of Estimation and Uncertainty

In the application of the Consolidated Companies' accounting policies, the management of the Consolidated Companies is required to make judgments, estimates and assumptions about any relevant information that is not readily available from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed by the directors on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

The Consolidated Companies' critical accounting judgments and key sources of estimation and uncertainty are as follows:

(I) Estimated Impairment of Accounts Receivable

The Consolidated Companies estimate future cash flows when an objective proof shows an indication of impairment loss. The amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. If future cash flows are less than expected, a significant impairment loss may occur.

(II) Impairment of Property, Plant and Equipment

Impairment of equipment is evaluated based on the recoverable amount of the equipment (i.e. fair value of the asset less the higher of sales cost and use value). Market price or the recoverable amount to be influenced by changes in future cash flows may make the Consolidated Companies recognize additional impairment loss or reverse any recognized impairment loss.

(III) Impairment of inventories

Net realizable value of inventory is the remaining amount by deducting cost still required until completion from estimated sales price during normal operations. The estimate is based on the current market situation and sales experience of similar products. Changes in the market situation may significantly influences estimates.

(IV) Recognition and measurement of defined benefit plans

Pension expenses and accrued pension liabilities under defined benefit pension plans are calculated using the Projected Unit Credit Method. Actuarial assumptions comprise the discount rate, rate of employee turnover and long-term average salary increase rate. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

(V) Realization of deferred income tax assets

Deferred income tax assets are recognized to the extent that it is sufficient profit or taxable temporary difference. Assessment of the realization of the deferred income tax assets requires the Consolidated Companies' subjective judgment and estimate, including the future revenue growth and profitability, the amount of tax credits to be utilized, and feasible tax planning strategies. Any changes in the global economic environment, the industry trends and relevant laws and regulations could result in significant adjustments to the deferred income tax assets.

VI. Cash and Cash Equivalents

	December 31, 2015	December 31, 2014
Cash on hand and revolving funds	$ 11,832	$ 11,205
Bank checks and current deposits	1,034,522	726,535
Cash equivalents		
Time deposits in bank	195,457	368,520
	$1,241,811	$1,106,260

(I) Market rates of interest for deposits in bank at the balance sheet date are as follows: (Interest rate for check deposits: 0%)

	December 31, 2015	December 31, 2014
Current deposits in bank	0.001%-0.35%	0.01%-1.17%
Time deposits in bank	0.03%-7.50%	0.03%-7.50%

(II) The Consolidated Companies' deposits in bank are reclassified to other noncurrent assets for the following purposes:

	December 31, 2015	December 31, 2014
Other noncurrent assets (Note 18)		
Collateral for support plans	$ -	$ 4,500
Collateral for issuance of convertible bonds	91,809	91,809
	$ 91,809	$ 96,309

VII. Financial Instruments at Fair Value Through Profit or Loss

	December 31, 2015	December 31, 2014
Financial assets held for trading purposes－Current		
Derivative financial instruments		
Convertible bonds embedded derivative financial instruments	$ -	$ 210
Non-derivative financial assets		
Beneficiary certificate of funds	50,824	133,113
Bond investment	4,890	-
Financial assets at fair value through profit or loss－Current	$ 55,714	$133,323
Financial liabilities held for trading purposes		
Derivative financial instruments		
Forward exchange contracts	$ 8	$ -
Derivative financial instruments (hedge not designated)		
Convertible bonds embedded derivative financial instruments	6,410	3,860
	$ 6,418	$ 3,860
Financial liabilities at fair value through profit or loss－Current	$ 6,418	$ -
Financial liabilities at fair value through profit or loss－Noncurrent	$ -	$ 3,860

Outstanding forward exchange contracts not applicable to hedge accounting treatment at the balance sheet date are listed as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
December 31, 2015			
Purchase of forward exchange	USD against INR	105.1.29-105.3.31	USD 250 /INR 16,706

VIII. Notes Receivable and Accounts Receivable

	December 31, 2015	December 31, 2014
Notes receivable	$ 197,325	$ 298,302
Accounts receivable	$1,384,377	$1,472,752
Less: Allowance for doubtful receivables	(78,615)	(98,971)
	1,305,762	1,373,781
Accounts receivable－Related parties (Note 29)	44,814	24,088
	$1,350,576	$1,397,869

(I) The payment term granted by the Consolidated Companies to customers is due 60 to 150 days from the sale of goods. The allowance for doubtful receivables is assessed by reference to collectability of receivables and current financial conditions of customers. Accounts receivable include amounts that are past due at the balance sheet date but for which the Consolidated Companies have not recognized a specific allowance for doubtful receivables. As there has not been a significant change in the credit quality of its customers, the amounts are still considered recoverable by the management of the Consolidated Companies.

Notes receivable as of December 31, 2014 and 2015 are not past due.

Aging analysis of accounts receivable is as follows:

	December 31, 2015	December 31, 2014
Not past due	$1,000,646	$1,106,069
1～60 days	267,209	259,800
61～90 days	33,360	17,430
91～180 days	48,930	23,931
181～360 days	26,618	45,786
361 days or above	52,428	43,824
Total	$1,429,191	$1,496,840

The above is the aging analysis of accounts based on days past due.

Aging analysis of the accounts receivable past due but not impaired is as follows:

	December 31, 2015	December 31, 2014
60 days or below	$ 267,209	$ 160,992
61to 180 days	70,385	5,009
180 to 360 days	-	3,739
361 days or above	-	-
Total	$ 337,594	$ 169,740

The above is the aging analysis of accounts based on days past due.

(II) Movements the allowance for doubtful receivables recognized for accounts receivable are as follows:

	Individually assessed for impairment	Collectively assessed for impairment	Total
Balance, January 1, 2014	$ -	$ 53,975	$ 53,975
Add: Impairment loss recognized for the year	6,780	53,620	60,400
Less: Reversal to noncurrent assets held for sale	-	(11,109)	(11,109)
Less: Write-off for the year	-	(6,183)	(6,183)
Foreign currency translation difference	-	1,888	1,888
Balance, December 31, 2014	$ 6,780	$ 92,191	$ 98,971

	Individually assessed for impairment	Collectively assessed for impairment	Total
Balance, January 1, 2015	$ 6,780	$ 92,191	$ 98,971
Less: Reversal to impairment loss	(150)	(4,256)	(4,406)
Less: Write-off for the year	-	(14,496)	(14,496)
Foreign currency translation difference	-	(1,454)	(1,454)
Balance, December 31, 2015	$ 6,630	$ 71,985	$ 78,615

IX. Inventories

	December 31, 2015	December 31, 2014
Finished goods	$226,038	$232,058
Work in process	33,485	38,451
Raw materials and supplies	247,547	290,351
Merchandise	57,005	61,138
	$564,075	$621,998

The Consolidated Companies' allowance for inventory valuation and obsolescence loss as of December 31, 2015 and December 31, 2014 was NT$32,177 thousand and NT$24,985 thousand respectively.

Sales cost relevant to inventories for the years 2015 and 2014 was NT$3,043,790 thousand and NT$3,093,508 thousand respectively.

Sales cost included inventory valuation loss NT$7,671 thousand for the year ended December 31, 2015 and gain from price recovery of inventory NT$13,226 thousand for the year ended December 31, 2014. The gain from price recovery of inventory was due to clearing of part of inventories.

X. Noncurrent Assets Held for Sale

Management of the Consolidated Companies resolved in December 2014 to approve the plan to dispose one of their subsidiaries K Laser Technology Mexico, S.A. de. C.V., and expected to complete disposal procedures within 12 months. The operating segment was reclassified into the group being disposed and represented separately in the consolidated balance sheet. (See explanation below.) The Consolidated Companies sold stock rights to third parties on May 14, 2015.

	December 31, 2014
Deposits in bank	$ 839
Accounts receivable	9,233
Property, plant and equipment	37,068
Inventories	10,541
Others	13,050
Total noncurrent assets held for sale	$ 70,731

	December 31, 2014
Short-term loans	$ 4,526
Accounts payable and other payables	62,431
Other liabilities	3,774
Liabilities directly associated with noncurrent assets held for sale	$ 70,731

XI. Financial Assets Carried at Cost

	December 31, 2015	December 31, 2014
Non-publicly traded common stocks		
Chi Mei Visual Technology Corporation	$ 30,055	$ 30,055
China Development Biomedical Venture Co., Ltd.	30,000	15,000
	$ 60,055	$ 45,055
Financial assets by measurement type		
Financial assets held for sale	$ 60,055	$ 45,055

As there is a wide range of estimated fair values of the Consolidated Companies' investments in the above non-publicly traded stocks since no price offered for such investments in an active market, the Consolidated Companies conclude that the fair value cannot be reliably measured and therefore should be measured at the cost less any impairment at the balance sheet date.

XII. Subsidiaries

The entities for which the consolidated financial statements are prepared are listed as follows:

Name of Investing Company	Name of Subsidiary	Nature of Operation	% of Stock Rights Held December 31, 2015	% of Stock Rights Held December 31, 2014
K Laser	K Laser International Co., Ltd. (hereinafter referred to as International)	Reinvestment	100%	100%
K Laser	K Laser China Group Co., Ltd. (hereinafter referred to as China Group)	Reinvestment	100%	100%
K Laser	Optvision Technology Inc. (hereinafter referred to as Optivision Technology Inc.)	Research, development and manufacturing of precision optical components	47%	46%
K Laser and China Group Holding	iWin Technology Co., Ltd. (hereinafter referred to as iWin)	Reinvesting company	100%	100%
International	K Laser Technology (Korea) Co., Ltd. (hereinafter referred to as K Laser Korea)	Manufacturing and sale of holography products	81%	100%
International	K Laser Technology (Thailand) Co., Ltd. (hereinafter referred to as K Laser Thailand)	Manufacturing and sale of holography products	83%	83%
International	K Laser Technology (USA) Co., Ltd. (hereinafter referred to as K Laser USA)	Sale of holography products	80%	80%
International	K Laser IMEA Co., Ltd. (hereinafter referred to as IMEA)	Reinvesting company	100%	100%
International	Amagic Technologies U.S.A. (Dubai) (hereinafter referred to as Amagic Dubai)	Sale and being the agent of holography products	100%	100%
International	K Laser Technology Mexico S.A. de C.V. (hereinafter referred to as K Laser Mexico)	Manufacturing and sale of holography products	-	75%
International	K Laser Technology Japan Co., Ltd. (hereinafter referred to as K Laser Japan)	Manufacturing and sale of holography products	70%	70%
China Group	K Laser China Group Holding Co., Limited (hereinafter referred to as China Group Holding)	Reinvesting company	99.60%	99.60%
China Group	Holoprint Co., Ltd. (hereinafter referred to as Holoprint)	Reinvesting company	100%	100%

Name of Investing Company	Name of Subsidiary	Nature of Operation	% of Stock Rights Held	
			December 31, 2015	December 31, 2014
China Group Holding	K Laser Technology (HK) Co., Ltd. (hereinafter referred to as K Laser Hong Kong)	Sale and being the agent of holography products	100%	100%
China Group Holding	Holomagic Co., Ltd. (hereinafter referred to as Holomagic)	Reinvesting company	100%	100%
China Group Holding	Top Band Investment Limited (hereinafter referred to as Top Band)	Reinvesting company	100%	100%
Holomagic	Treasure Access Limited (hereinafter referred to as Treasure)	Reinvesting company	100%	100%
Top Band	Union Bloom Limited (hereinafter referred to as Union)	Reinvesting company	100%	100%
Optivision Technology Inc.	Bright Triumph Limited	Reinvestment	100%	100%
Bright Triumph Limited	Ningbo Guangyao Optivision Technology Co., Ltd.	Processing of optical film	100%	100%
Treasure	Wuxi K Laser Technology Co., Ltd (hereinafter referred to as Wuxi K Laser)	Manufacturing and sale of holography products	100%	100%
Union	Dongguan K Laser Technology Co., Ltd (hereinafter referred to as Dongguan K Laser)	Manufacturing and sale of holography products	100%	100%
IMEA	Amagic Holographics India Private Limited (hereinafter referred to as Amagic India)	Manufacturing and sale of holography products	100%	100%
iWin	Finity Laboratories (hereinafter referred to as Finity)	Research and development of holography	100%	100%

K Laser China Group Co., Ltd., which was established in British Virgin Islands in October 2010, mainly engages in reinvestment.

K Laser China Group Holding Co., Limited, which was established in British Cayman Islands in March 2008, invests directly in Wuxi K Laser Technology Co., Ltd, Dongguan K Laser Technology Co., Ltd., K Laser Technology (HK) Co., Ltd., iWin Technology Co., Ltd. and Finity Laboratories.

K Laser International Co., Ltd. which was established in British Cayman Islands in October 2010, mainly engages in investment. K Laser invests in entities in America and Asia indirectly through K Laser International Co., Ltd. and mainly engages in production, sale, research, development and investment of holography products and optical fiber communication related components.

Amagic Technologies, U.S.A. (Dubai), which was established in 1996, mainly engages in sale of holography products and also serves as the agent of holography products.

K Laser Technology (Korea) Co., Ltd., which was established in Korea in 2002, mainly engages in manufacturing and sale of holography products. Management of the Consolidated Companies resolved in September 2015 to approve to sell 19% of that company's stock rights at USD 350 thousand to third parties. As changes in stock rights do not make the Consolidated Companies lose their control over that company, thus the sale was listed under “difference between acquisition or disposal of corporate equity and the carrying amount of stock rights.”

K Laser Technology (Thailand) Co., Ltd., which was established in March 1996, mainly engages in manufacturing and sale of holography products.

K Laser Technology (USA) Co., Ltd. was established in February 1993, with the principal office located in California, USA. It mainly engages in sale of holography products.

K Laser Technology Mexico, S.A. de. C.V., which was established in 2001 in Mexico, mainly engages in manufacturing and sale of holography products. Management of the Consolidated Companies resolved in December 2014 to approve to dispose this subsidiary, and sold equity on May 14, 2015 to third parties. Please see Note 10.

K Laser Technology Japan Co., Ltd., which was established in 2003 in Japan, mainly engages in manufacturing and sale of holography products.

Amagic Holographics India Private Limited, which was established in 2003 in India, mainly engages in manufacturing and sale of holography products.

Finity Laboratories, which was established in 2001 in the USA, mainly engages in research and development of holography.

Optivision Technology Inc. was approved on July 13, 2004 to be established. It mainly engages in research, development and manufacturing of precision optical components. Its products are used in medium and small sized tablet computers, mobile phones, TV monitors, laptop computers and optics lenses.

Bright Triumph Limited (hereinafter referred to as BTL) was established in May 2008. Located in Mauritius, it mainly engages in reinvestment. Optivision Technology Inc. invests in Ningbo Guangyao Optivision Technology Co., Ltd. indirectly through this company.

Ningbo Guangyao Optivision Technology Co., Ltd. (hereinafter referred to as Ningbo Guangyao) was established in May 2008. Located in China, it mainly engages in processing of optical film.

The financial statements of Amagic Technologies U.S.A. (Dubai) Ltd., a subsidiary of K Laser International Co., Ltd., Amagic Holographics India Private Limited, a subsidiary of K Laser IMEA Co., Ltd., and K Laser Technology (HK) Co., Ltd., a subsidiary of K Laser China Group Holding Co., Limited., all of which are listed in the consolidated financial statements, were audited by other certified public accountants rather than certified public accountants of the Company. Total assets of the subsidiaries whose financial statements were audited by other certified public accountants were NT$192,070 thousand and NT$156,907 thousand as of December 31, 2015 and December 31, 2014 respectively. Net revenue of the subsidiaries whose financial statements were audited by other certified public accountants were NT$305,716 thousand and NT$238,740 thousand for the years ended December 31, 2015 and December 31, 2014 respectively.

XIII. Investments Accounted for Using Equity Method

(I) Investment in Associates

Name of Investee	Principal Activities	Place of Incorporation and Operation	December 31, 2015 Carrying Amount	December 31, 2015 % of ownership	December 31, 2014 Carrying Amount	December 31, 2014 % of ownership
Individual immaterial associates						
Wellcome Co., Ltd.	Manufacturing, processing, purchase and sale of fluorescence paints and dyes	Yunlin County	$ 89,824	33	$ 81,704	33
Everest Display Inc.	Production and sale of optical equipment and wireless communication machines and devices	Hsinchu City	43,097	39	77,859	36
Hunan Yongan Laser Technology Co., Ltd.	Research, development and production of novel environmentally-friendly packing materials and anti-counterfeiting products	China	176,661	49	160,630	49
Jiangsu Xinguang Laser Packing Materials Co., Ltd. (Former Jiangyin Xinguang Laser Packing Materials Co., Ltd.)	Production of special film coated paper, decorative film and eco transfer paper	China	192,484	33	177,902	33
Foshan Donglin Packing Materials Co., Ltd.	Production of packing materials and augmented products for cigerettes	China	35,923	25	41,908	25
Everest Technology Ltd.	Production and sale of optical equipment	China	40,414	16	42,464	16
Jiangyin Guangqun Laser Technology Co., Ltd.	Research and development of laser anti-counterfeiting packing technology, and processing of laser anti-counterfeiting plastic materials, film and card paper	China	18,824	30	19,459	30
Chun Yao Co., Ltd.	Research, development and sale of gastrointestinal endoscope	Hsinchu City	7,899	36	-	-
Hunan Yongan Packing Materials Co., Ltd.	Production, processing and sale of film and cigarettes, and cutting of cigarette paper	China	220,525	49	-	-
Hunan Yonghe Packing Materials Co., Ltd.	Production of paper products and sale of other packing materials, packing products and products	China	18,916	49	-	-
預付長期投資款						
			$ 844,567		$ 601,926	

(I) Chun Yao Co., Ltd., which started preparing for incorporation from March 2015, mainly engages in research, development and sale of gastrointestinal endoscopes. The Consolidated Companies participated in its capital increase and obtained 36% of its equity with the investment amount of NT$11,000 thousand.

(II) Hunan Yongan Packing Materials Co., Ltd. mainly engages in manufacturing, processing and sale of film and cigarettes and cutting of cigarette paper. The Consolidated Companies purchased and obtained 49% of its equity from third parties at RMB44,300 thousand through Dongguan K Laser Technology Co., Ltd. in December 2015,

(III) Hunan Yonghe Packing Materials Co., Ltd. mainly engages in production of paper products and sale of packing materials and packing products and other products. The Consolidated Companies purchased and obtained 49% of its equity from third parties at RMB3,800 thousand through Dongguan K Laser Technology Co., Ltd. in December 2015. The board of directors resolved in November 2015 to approve that Hunan Yongan Packing Co., Ltd. should absorb and combine Hunan Yonghe Packing Co., Ltd. The procedure of such combination was already completed in November 2016. Hunan Yongan Packing Co., Ltd. became the surviving company and assume the creditor's rights and debts of Hunan Yonghe Packing Co., Ltd., which was dissolved and nullified.

(II) Summarized financial information of each immaterial associate

	2015	2014
Share possessed by the Consolidated Companies		
Net loss of continuing operations for the year	$ 1,108	$ 49,417
Other comprehensive income (loss)	(600)	329
Total comprehensive profit (loss)	$ 508	$ 49,746

The associates' share of profit or loss evaluated with the equity method is recognized by the Consolidated Companies in 2015 and 2014 based on the associates' financial statements audited by certified public accounts for the same periods.

XIV. Property, Plant and Equipment

	December 31, 2015	December 31, 2014
Land	$ 102,003	$ 106,627
Buildings	463,397	472,554
Machinery and equipment	561,725	646,253
Other equipment	158,202	156,248
Construction in progress	43,264	24,436
	$1,328,591	$1,406,118

	Land	Buildings	Machinery and equipment	Other Equipment	Construction in Progress	Total
Cost						
Balance, January 1, 2014	$ 79,046	$ 927,782	$1,975,456	$ 519,062	$ 44,562	$3,545,908
Addition	19,903	4,024	156,180	74,512	11,242	265,861
Disposal	-	(8,356)	(130,171)	(94,969)	-	(233,496)
Reclassification	9,322	-	(10,122)	34,888	(33,052)	1,036
Reversal to noncurrent assets held for sale	(6,494)	(17,725)	(26,339)	(7,657)	-	(58,215)
Net exchange differences	4,850	17,295	46,520	6,048	1,684	76,397
Balance, December 31, 2014	$ 106,627	$ 923,020	$2,011,524	$ 531,884	$ 24,436	$3,597,491
Accumulated depreciation and impairment						
Balance, January 1, 2014	$ -	$ 406,833	$1,305,189	$ 385,451	$ -	$2,097,473
Depreciation expense	-	30,839	139,395	35,706	-	205,940
Impairment loss	-	12,534	58,968	-	-	71,502
Disposal	-	(3,003)	(110,550)	(87,194)	-	(200,747)
Reclassification	-	-	(38,500)	39,786	-	1,286
Reversal to noncurrent assets held for sale	-	(3,250)	(15,443)	(2,454)	-	(21,147)
Net exchange differences	-	6,513	26,212	4,341	-	37,066
Balance, December 31, 2014	$ -	$ 450,466	$1,365,271	$ 375,636	$ -	$2,191,373
Net, December 31, 2014	$ 106,627	$ 472,554	$ 646,253	$ 156,248	$ 24,436	$1,406,118
Cost						
Balance, January 1, 2015	$ 106,627	$ 923,020	$2,011,524	$ 531,884	$ 24,436	$3,597,491
Addition	1,046	22,723	35,248	39,759	64,052	162,828
Disposal	-	-	(143,529)	(17,204)	-	(160,733)
Reversal expenses	-	-	-	-	(82)	(82)
Reclassification	-	7,040	29,075	7,443	(44,750)	(1,192)
Net exchange differences	(5,670)	(13,505)	(29,611)	(3,118)	(392)	(52,296)
Balance, December 31, 2015	$ 102,003	$ 939,278	$1,902,707	$ 558,764	$ 43,264	$3,546,016
Accumulated depreciation and impairment						
Balance, January 1, 2015	$ -	$ 450,466	$1,365,271	$ 375,636	$ -	$2,191,373
Depreciation expense	-	30,583	130,585	40,380	-	201,548
Disposal	-	-	(129,180)	(13,906)	-	(143,086)
Reclassification	-	(7)	-	-	-	(7)
Net exchange differences	-	(5,161)	(25,694)	(1,548)	-	(32,403)
Balance, December 31, 2015	$ -	$ 475,881	$1,340,982	$ 400,562	$ -	$2,217,425
Net, December 31, 2015	$ 102,003	$ 463,397	$ 561,725	$ 158,202	$ 43,264	$1,328,591

(I) Property, plant and equipment of the Consolidated Companies are depreciated with the straight-line method over the following expected useful lives:

Buildings	
Buildings and structure	25 to 50 years
Auxiliary equipment of buildings	7 to 10 years
Machinery and equipment	3 to 15 years
Other equipment	2 to 11 years

(II) The amounts of the property, plant and equipment prior to depreciation and depletion and the investment property that was mortgaged by the Consolidated Companies to the bank as securities for bank loans as of December 31, 2015 and December 31, 2014 were detailed as follows:

	December 31, 2015	December 31, 2014
Land	$ 36,977	$ 39,096
Buildings and structure	192,820	178,386
Investment property	26,433	27,526
	$256,230	$245,008

XV. Investment Property

	December 31, 2015	December 31, 2014
Investment property	$ 26,433	$ 27,526

	2015	2014
Cost		
Balance, January 1	$ 79,205	$ 79,205
Reclassification	4	-
Balance, December 31	$ 79,209	$ 79,205
Accumulated depreciation and impairment		
Balance, January 1	$ 51,679	$ 50,417
Depreciation expense	1,090	1,262
Reclassification	7	-
Balance, December 31	$ 52,776	$ 51,679

The aforementioned investment properties are depreciated with the straight-line method over the following expected useful lives:

Buildings and structure	50 years
Auxiliary equipment of buildings	10 years

Estimates are made by the Consolidated Companies based on appraisal reports. The fair value of investment property on December 31, 2014 and December 31, 2015 was NT$43,737 thousand and NT$44,637 thousand respectively.

XVI. Other Intangible Assets

	December 31, 2015	December 31, 2014
Carrying amount of each category		
Cost of computer software	$ 4,044	$ 1,626

	2015	2014
Cost		
Balance, January 1	$ 3,530	$ 12,482
Acquisition for the year	4,152	1,100
Reclassification	1,188	250
Reduction for the year	-	(10,308)
Net exchange differences	(3)	6
Balance, December 31	$ 8,867	$ 3,530
Accumulated depreciation and impairment		
Balance, January 1	$ 1,904	$ 11,106
Amortization expense	2,920	1,104
Reduction for the year	-	(10,308)
Net exchange differences	(1)	2
Balance, December 31	$ 4,823	$ 1,904

Amortization expenses from the above intangible assets are recognized on a straight-line basis over their expected useful lives of 2 to 5 years.

XVII. Prepaid Lease Payments

	December 31, 2015	December 31, 2014
Current	$ 456	$ 621
Noncurrent	22,923	23,729
	$ 23,379	$ 24,350

As of December 31, 2014 and December 31, 2015, prepaid lease payments were made for the right to use the land in Mainland China.

XVIII. Other Assets

	December 31, 2015	December 31, 2014
Retained tax	$ 14,828	$ 13,750
Prepaid expenses and accounts	36,279	57,689
refundable deposits	19,677	31,692
Restricted assets (Note 6)	91,809	96,309
Tax receivable (Note 24)	4,276	4,476
Others	16,882	11,758
	$183,751	$215,674
Current	$ 56,245	$ 75,098
Noncurrent	127,506	140,576
	$183,751	$215,674

XIX. Loans

(I) Short-term Loans

	December 31, 2015		December 31, 2014	
	Interest Rate	Amount	Interest Rate	Amount
Bank mortgage loan	1.95%-2.15%	$ 2,243	1.83%	$ 6,668
Unsecured loans	1.20%-2.42%	350,197	1.20%-2.17%	284,964
Usance L/C loans payable	1.17%-2.15%	157,036	1.32%-2.10%	126,687
		$ 509,476		$ 418,319

The Consolidated Companies' unsecured loans from the bank as of December 31, 2014 and December 31, 2015 were guaranteed by K Laser. For part of such loans, Mr. Kuo Wei-Wu, Chairman of K Laser, and Mr. Kuo Wei-Pin, Director of K Laser, were joint guarantors. Property, plant and equipment and investment property (detailed in Note 14) were provided as securities for bank mortgage loans.

(II) Short-term Notes and Bills Payable

	December 31, 2015	December 31, 2014
Commercial paper payable	$100,000	$100,000
Less: Discounts on short-term notes and bills payable	(88)	(27)
	$ 99,912	$ 99,973

The short-term notes and bills payable not due yet are as follows:

December 31, 2015

Guaranteeing / Accepting Institution	Par Value	Discount	Carrying Amount	Interest Rate
Commercial paper payable				
Mega Bills	$ 50,000	$ 24	$ 49,976	1.2%
International Bills	50,000	64	49,936	1.2%
	$100,000	$ 88	$ 99,912	

December 31, 2014

Guaranteeing / Accepting Institution	Par Value	Discount	Carrying Amount	Interest Rate
Commercial paper payable				
Dah Chung Bills Finance Corp.	$ 50,000	$ 8	$ 49,992	0.892%
Mega Bills	50,000	19	49,981	0.862%
	$100,000	$ 27	$ 99,973	

(III) Current Portion of Long-term Liabilities

	December 31, 2015	December 31, 2014
Current portion of long-term loans	$ -	$523,836
Current portion of convertible bonds payable (Note 20)	483,901	-
	$483,901	$523,836

(IV) Long-term Loans

	Interest Rate%	December 31, 2015 Amount	December 31, 2014 Amount
Secured Loan			
E. Sun Bank (Leading bank of syndicated loans) Mortgage loan from 2012/8 to 2015/8, for which principle is repaid from August 2014 for every 6 months; revolving use is not allowed.	-	$ -	$ 283,836
E. Sun Bank (Leading bank of syndicated loans) Mortgage loan from 2012/12 to 2015/12, for which interest is paid every month and principle is repaid in full when due	-	-	240,000
E. Sun Bank (Leading bank of syndicated loans) Mortgage loan from 2015/12 to 2018/12, for which principle is repaid from December 2017 for every 6 months; revolving use is not allowed.	1.79	290,000	-
E. Sun Bank (Leading bank of syndicated loans) Mortgage loan from 2015/8 to 2018/8, for which interest is paid every month and principle is repaid in full when due	1.79	430,000	-
Unguaranteed loans			
JihSun Bank Unsecured loans from 2014/2 to 2016/2, for which interest is paid every month and principle is repaid in full when due; to be extended from February 2015 for more 2 years; date due is	1.92	100,000	100,000

	Interest Rate%	December 31, 2015 Amount	December 31, 2014 Amount
February 2017.			
KGI Bank (Former China Development Industrial Bank)			
Unsecured loans from 2014/6 to 2016/6, for which interest is paid every month and principle is repaid in full when due; to be extended from June 2015 for more 2 years; date due is May 2017.	1.57	100,000	100,000
Taipei Fubon Bank			
Unsecured loans from 2014/6 to 2016/6, for which interest is paid every month and principle is repaid in full when due; to be extended from June 2015 for more 2 years; date due is May 2017.	1.81	$ 100,000	$ 100,000
Less: Current portion of long-term loans		-	(523,836)
		$1,020,000	$ 300,000

1. For acquiring sufficient working capital and making repayments for bonds, the Consolidated Companies entered into a syndicated loan contract with nine financial institutions in August 2015 for the syndicated loans provided mainly by E. Sun Bank. The total credit line was NT$720,000 thousand. As of December 31, 2015, the actual used amount was NT$ 720,000 thousand and loan balance was NT$720,000 thousand.

   According to the syndicated loan contract, the annual consolidated financial statements of the Consolidated Companies shall maintain the following financial ratios until the Consolidated Companies repay total debts under the contract.

   (1) Current ratio (i.e. ratio of current assets to current liabilities) shall not be less than 100%.
   (2) Debt ratio (i.e. ratio of total liabilities less cash and cash equivalents to tangible net worth) shall not be over 100%.
   (3) Times interest earned (i.e. sum of income before income tax, interest expenses, depreciation and amortization divided by interest expenses) shall not be less than 300%.
   (4) Tangible net worth shall not be less than NT$2,600,000 thousand.

2. Kuo Wei-Wu, Chairman of K Laser, was a joint guarantor for the abovementioned long-term loans. None of property, plant and equipment and investment property was provided as a security for the syndicated loans provided by E. Sun Bank.

XX. Bonds Payable

	December 31, 2015	December 31, 2014
Liability components constituting the secured convertible bonds issued for the fourth time	$291,736	$287,236
Liability components constituting the unsecured convertible bonds issued for the fifth time	192,165	187,959
Less: Current portion of long-term liabilities	(483,901)	-
	$ -	$475,195

K Laser issued secured convertible bonds for the fourth time and unsecured convertible bonds for the fifth time at a coupon rate of 0% in the amount of NT$300,000 thousand and 200,000 thousand respectively on October 17, 2014 and October 20, 2014, and the total amount for sale is NT$495,000 thousand (minus transaction cost NT$5,000 thousand). K Laser separates the convertible option with debt according to regulations, and recognizes equity in the amount of NT$16,000 thousand, listing "Capital surplus – Stock options" and debt in the amount of NT$479,000 thousand, "Financial assets at fair value through income statement – Current" in the amount of NT$100 thousand, "Financial assets at fair value through income statement – Non-current" in the amount of NT$5,640 thousand, and "Convertible bonds payable" in the amount of NT$473,460 thousand.

K Laser issued convertible bonds pursuant to the terms and conditions:

(I) Secured Convertible Bonds Issued for the Fourth Time:

1. Issuing date: October 17, 2014
2. Par value: NT$100 thousand
3. Place of issue and transaction: R.O.C.
4. Issuing price: 100%
5. Total stocks issued: NT$300,000 thousand
6. Coupon rate: 0%; effective interest rate: 1.56%
7. Issuing period: 3 years; expiration date: October 17, 2017
8. Convertible option and subject: Converting to common stocks of K Laser at then conversion price
9. Security: Time deposit of NT$91,809 thousand pledged to the bank
10. Redemption and resale of bonds:
    (1) Redemption upon expiration: Principal will be returned at par value after expiration of the issuing period.
    (2) Early redemption:
    If the closing price of K Laser's common shares in Taiwan Stock Exchange exceeds 30% (inclusive) of the conversion prices for 30 consecutive business days, or if the remaining amount of convertible bonds in circulation is less than 10% of the amount originally issued, K Laser may recall all of its bonds in cash at face value from the day after the bonds are issued for one full month to 40 days before maturity.

(3) Resale terms:

A bond holder may request K Laser for early settlement at 102.01% after the completion of 2 years following the date when the bonds are issued.

11. Conversion price and adjustment:
    (1) Conversion price shall be NT$16.7 per share.
    (2) Conversion price shall be NT$16.2 per share from November 10, 2015.
    (3) Adjustment of conversion price:

    After issuing convertible bonds, if common shares of K Laser increase or cash dividends exceed 1.5% of the stock price, K Laser shall adjust the conversion price according to the formula in the regulations on issuing corporate bonds.

(II) Unsecured Convertible Bonds Issued for the Fifth Time:

1. Issuing date: October 20, 2014
2. Par value: NT$100 thousand
3. Place of issue and transaction: R.O.C.
4. Issuing price: 100%
5. Total stocks issued: NT$200,000 thousand
6. Coupon rate: 0%; effective interest rate: 2.22%
7. Issuing period: 3 years; expiration date: October 20, 2017
8. Convertible option and subject: Converting to common stocks of K Laser at then conversion price
9. Redemption and resale of bonds:
    (1) Redemption upon expiration: Principal will be returned at par value after expiration of the issuing period.
    (2) Early redemption:

    If the closing price of K Laser's common shares in Taiwan Stock Exchange exceeds 30% (inclusive) of the conversion prices for 30 consecutive business days, or if the remaining amount of convertible bonds in circulation is less than 10% of the amount originally issued, K Laser may recall all of its bonds in cash at face value from the day after the bonds are issued for one full month to 40 days before maturity.

    (3) Resale terms:

    A bond holder may request K Laser for early settlement at 102.516% after the completion of 2 years following the date when the bonds are issued.

10. Conversion price and adjustment:
    (1) Conversion price shall be NT$16.8 per share.
    (2) Conversion price shall be NT$16.3 per share from November 10, 2015.
    (3) Adjustment of conversion price:

    After issuing convertible bonds, if common shares of K Laser increase or cash dividends exceed 1.5% of the stock price, K Laser shall adjust the conversion price according to the formula in the regulations on issuing corporate bonds.

(III) The Consolidated Companies recognized in 2015 and 2014 “interest expenses of bond discount amortization” NT$8,706 thousand and NT$2,779 thousand and “loss on valuation of financial instruments” NT$2,760 thousand and “gain on valuation” NT$1,833 thousand under “Non-operating income and expenses－Interest expenses” and “Non-operating income and expenses－Financial assets (liabilities) at fair value through profit or loss.”

(IV) Switching and Redemption:

Convertible bonds issued by the Consolidated Companies for the second time in the amount of NT$152,500 thousand in possession of the bond holders were converted to 14,718 thousand common shares in 2015, reducing “Capital surplus – Stock options” in the amount of NT$4,590 thousand.

XXI. Retirement Benefit Plans

(I) Defined Contribution Plans

K Laser and Optivision Technology Inc. in the Consolidated Companies apply the pension system provided by the Labor Pension Act. Such system is the defined contribution plan governed by the government. They have made monthly contributions equal to 6% of each employee’s monthly salary to employees’ pension accounts with the Bureau of Labor Insurance.

The Consolidated Companies recognized expenses of NT$10,646 thousand and NT$10,783 thousand in the consolidated income statement for 2015 and 2014 at the percentage specified in the defined contribution plan.

(II) Defined Benefit Plans

K Laser and Optivision Technology Inc. in the Consolidated Companies apply the pension system provided by the Labor Pension Act. Such system is the defined contribution plan governed by the government. The pension of an employee is calculated based on the employee’s length of service and average monthly salary for the six-month period prior to retirement. K Laser and Optivision Technology Inc. contribute an amount equal to 2% of salaries paid each month to their respective pension funds (the Funds), which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee’s name in the Bank of Taiwan. Before the end of each year, the Companies assess the balance in the Funds. If the amount of the balance in the Funds is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Companies are required to fund the difference in one appropriation that should be made before the end of March of the next year. The Funds are operated and managed by the Bureau of Labor Funds, Ministry of Labor; as such, the Consolidated Companies do not have any right to intervene in the investments of the Funds.

Optivision Technology Inc. reached an agreement with its employees that have seniority in the old pension system to clear their seniority in accordance with the Labor Standards Act and the Labor Pension Act on December 5, 2014, and withdraw the balance and close their account in accordance with the Regulations for the Allocation and Management of the Workers’ Retirement Reserve Funds. Optivision Technology Inc. no longer had any defined benefits plans as of December 31, 2015.

Amounts of defined benefit plans in the consolidated balance sheet are listed as follows:

	December 31, 2015	December 31, 2014
Present value of defined benefit obligations	$ 38,431	$ 33,865
Fair value of plan assets	(22,198)	(20,855)
Net defined benefit liability	$ 16,233	$ 13,010

Movements in net defined benefit liability (asset) are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Balance, January 1, 2014	$ 51,495	($ 29,590)	$ 21,905
Service cost			
Service cost for the year	956	-	956
Interest expenses (incomes)	867	(568)	299
Recognition in profit (loss)	1,823	(568)	1,255
Remeasurement			
Reward of plan assets	-	1,528	1,528
Actuarial loss－from changes in demographic assumptions	585	-	585
Actuarial loss－from experience adjustments	369	-	369
Recognition in other comprehensive income (loss)	954	1,528	2,482
Contribution by the employer	-	(1,046)	(1,046)
Gain on settlement of labor pensions	(223)	-	(223)
Repayment	-	720	720
Benefits paid	(20,184)	8,101	(12,083)
Balance, December 31, 2014	33,865	(20,855)	13,010
Service cost			
Service cost for the year	423	-	423
Interest expenses (incomes)	593	(372)	221
Recognition in profit (loss)	1,016	(372)	644
Remeasurement			
Reward of plan assets	-	(243)	(243)
Actuarial loss－from changes in demographic assumptions	1,505	-	1,505
Actuarial loss－from changes in financial assumptions	1,330	-	1,330
Actuarial loss－from experience adjustments	715	-	715

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Recognition in other comprehensive income (loss)	3,550	(243)	3,307
Contribution by the employer	-	(728)	(728)
Balance, December 31, 2015	$ 38,431	($ 22,198)	$ 16,233

Amounts of defined benefit plans recognized in profit (loss) are listed by functions as follows:

	2015	2014
By functions		
Cost of revenue	$ 180	$ 294
Promotion	64	231
General and administrative	310	574
Research and development expense	90	156
	$ 644	$ 1,255

Through the defined benefit plans under the Labor Standards Act, the Consolidated Companies are exposed to the following risks:

1. Investment risk: The pension funds are invested in equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, the rate of the return on assets distributed to the Company shall not be less than the average interest rate on a two-year time deposit published by the local banks.
2. Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation. However, this will be partially offset by an increase in the return on the debt investments of the plan assets.
3. Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the Consolidated Companies' defined benefit obligation were carried out by qualified actuaries. The principal assumptions of the actuarial valuation are as follows:

	December 31, 2015	December 31, 2014
Discount rate	1.375%	1.75%
Projected salary increase rate	2.00%	2.00%

When there were reasonable changes in significant assumptions and all other assumptions were held constant, the present value of the defined benefit obligation would increase or decrease as follows:

	December 31, 2015	December 31, 2014
Discount rate		
Increase by 0.25%	($ 936)	($ 826)
Decrease by 0.25%	$ 970	$ 856
Projected salary increase rate		
Increase by 0.25%	$ 947	$ 838
Decrease by 0.25%	($ 918)	($ 812)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31, 2015	December 31, 2014
Contributions expected to be made within one year	$ 664	$ 734
Average maturity period for defined benefit obligations	9.87 years	9.91 years

XXII. Equity

(I) Capital Stock

Common shares

	December 31, 2015	December 31, 2014
Authorized shares (in thousands)	200,000	200,000
Authorized capital	$2,000,000	$2,000,000
Issued and paid shares (in thousands)	132,467	174,167
Issued capital	$1,324,665	$1,741,665

A holder of issued common shares with par value of NT$10 per share is entitled to vote and to receive dividends.

The Company’s outstanding common shares are adjusted as follows:

	Number of shares (in thousands)	Capital
Balance, January 1, 2014	167,449	$1,674,492
Conversion of bonds	14,718	147,173
Cancelled treasury stock	(8,000)	(80,000)
Balance, December 31, 2014	174,167	$1,741,665
Balance, January 1, 2015	174,167	$1,741,665
Cancelled treasury stock	(41,700)	(417,000)
Balance, December 31, 2015	132,467	$1,324,665

(II) Capital Surplus

Capital surplus balances in 2015 and 2014 were adjusted as follows:

	Additional Paid-in Capital (1)	Treasury Stock Transactions (1)	Stock Option (3)	Difference between actual gains on acquired stock rights of subsidiaries and carrying amounts (1)	Recognized changes in ownership of subsidiaries (2)	Total
Balance, January 1, 2014	$ 398,621	$ 9,164	$ 4,590	$ 39,657	$ -	$ 452,032
Interests recognized from convertible bonds	-	-	16,000	-	-	16,000
Conversion of convertible bonds	9,461	-	(4,590)	-	-	4,871
Adjustments to share of changes in equities of associates	-	-	-	-	45,353	45,353
Cancelled treasury stock	(18,772)	(9,164)	-	-	-	(27,936)
Difference between gains on acquired stock rights of subsidiaries and carrying amounts	-	-	-	6,387	-	6,387
Balance, December 31, 2014	389,310	-	16,000	46,044	45,353	496,707
Difference between gains on acquired stock rights of subsidiaries and carrying amounts	-	-	-	4,081	1,050	5,131
Cancelled treasury stock	(93,211)	-	-	-	-	(93,211)
Balance, December 31, 2015	$ 296,099	$ -	$ 16,000	$ 50,125	$ 46,403	$ 408,627

1. Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, it may be distributed as cash dividends or stock dividends up to a certain percentage of the paid-in capital.
2. Such capital surplus refers to the equity transaction effects recognized due to change of interests in subsidiaries or the adjustments of subsidiaries' capital surplus recognized with equity method by the Company before the Company actually acquires or disposes stock rights of subsidiaries, and may be used to offset a deficit.
3. Such capital surplus cannot be used for any other purposes.

(III) Retained earnings and dividend policies

If K Laser has any profit at the closing of a fiscal year, it shall use it to pay income tax and make good of past losses first and then set aside 10% of the rest of the profit as legal reserve in accordance with the Company Act and the Articles of Incorporation. Special reserve is appropriated from the earnings for the current year according to the law or relevant regulations and, after reversal, recognized in distributed earnings. A proposal of earning distribution is prepared by the board of directors and submitted to be approved at the shareholders' meeting. Remuneration to directors and supervisors is 2% and bonuses to employees are at least 7% of the earnings distributed. The persons to whom the above bonuses are distributed include the employees of associates satisfying required conditions.

The amendments to the Company Act that were made in May 2015 specify that dividends and bonuses shall be only distributed to shareholders and that employees do not qualify for earnings. To comply with the aforementioned Act, the Company proposed at the board meeting on December 29, 2015 to amend its Articles of Incorporation and the shareholders' meeting will be held for resolution on May 27, 2016. For the basis of estimate for remuneration to directors and supervisors and the actual distribution of such remuneration, please see Note 23.

K Laser appropriates special reserve pursuant to instructions in the letters Jin-Guan-Zheng-Fa-Zi No. 1010012865, Jin-Guan-Zheng-Fa-Zi No. 1010047490 and Jin-Guan-Zheng-Fa-Zi No. 1030006415 and the Rules Applicable to Special Reserve Appropriation after Adoption of IFRSs. When deductions from other shareholders' equity are reversed, earnings shall be distributed based on such reversed part.

Legal reserve shall be appropriated until the total of its amount reaches the Company's paid-in capital. Legal reserve may be used to make good of past losses. If the Company suffers no loss and its legal reserve exceeds 25% of paid-in capital, such excess may be either allocated to capital or distributed in cash.

When unappropriated earnings are appropriated, all shareholders, except those not living in the Republic of China, are entitled to imputation credit calculated at tax deduction ratio on the date of dividend distribution.

Appropriation of earnings for the years 2014 and 2013 approved in the regular meeting of shareholders held by K Laser on June 18, 2015 and June 18, 2014 respectively was as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	2014	2013	2014	2013
Legal reserve	$ 9,069	$ 22,785	$ -	$ -
Cash dividends	55,008	104,923	0.35	0.65

K Laser's appropriations of earnings for 2015 had been approved in the meeting of the board of directors held on March 10, 2016. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 16,435	$ -
Cash dividends	66,233	0.5

The appropriations of earnings for 2015 are to be presented for approval in the shareholders' meeting to be held on May 27, 2016.

(IV) Movements in the special reserve appropriated by the Company were as follows:

	2015	2014
Balance, beginning of year	$162,918	$162,977
Reversal of special reserve from disposal of subsidiaries	-	(59)
Balance, end of year	$162,918	$162,918

(V) Other Equity

Exchange differences on translation of foreign financial statements:

	2015	2014
Balance, beginning of year	$131,780	$ 8,325
Exchange differences on translation of foreign financial statements	(47,099)	123,425
Balance, end of year	$ 84,681	$131,780

The exchange differences arising on translation of foreign operation's net assets from its functional currency (i.e. New Taiwan Dollar) to the Consolidated Companies' presentation currency are recognized directly in other comprehensive income and also accumulated in the exchange differences on translation of foreign financial statements. Such amount accumulated in the exchange differences on translation of foreign financial statements will be reclassified to profit or loss when the foreign operation is disposed.

(VI) Noncontrolling Interests

	2015	2014
Balance, beginning of year	$697,729	$448,510
Share of noncontrolling interests		
Net income	19,028	102,007
Exchange differences on translation of foreign financial statements	(1,943)	4,189
Noncontrolling interests involved in subsidiaries' capital increases	-	157,060
Repurchase of noncontrolling interests of subsidiaries	(15,804)	(3,829)
Sale of subsidiaries' equity	7,424	5,017
Dividends distributed by subsidiaries	(83,551)	(15,250)
Others	-	25
	$622,883	$697,729

(VII) Treasury Stock

1. Movements of treasury stock are as follows:

Unit: Share

2015				
Reason of possessing shares	Number of shares at the beginning of the year	Increase for the year	Decrease for the year	Number of shares at the end of the year
Transferring shares to employees	8,000,000	-	(8,000,000)	-
Maintaining goodwill of the Company and equity of its shareholders	8,921,000	24,779,000	(33,700,000)	-
	16,921,000	24,779,000	(41,700,000)	-

2014				
Reason of possessing shares	Number of shares at the beginning of the year	Increase for the year	Decrease for the year	Number of shares at the end of the year
Transferring shares to employees	8,000,000	-	-	8,000,000
Maintaining goodwill of the Company and equity of its shareholders	-	16,921,000	(8,000,000)	8,921,000
	8,000,000	16,921,000	(8,000,000)	16,921,000

2. According to Article 28-1 of the Securities and Exchange Act, the number of shares bought back by a company shall not exceed 10% of the total number of shares issued by the company, and the total amount paid to buy the shares shall not exceed the sum of retained earnings, premium on capital stock and realized capital surplus. According to the Securities and Exchange Act, treasury stocks held by K Laser shall neither be pledged nor be assigned dividend distribution right or voting right.

XXIII. Net Profit of Continuing Operations

Employee benefit expenses and depreciation and amortization expenses

	2015			
	Operating cost	Operating expense	Non-operating expense and losses	Total
Short-term employee benefits	$ 323,969	$ 334,171	$ -	$ 658,140
Retirement benefits	$ 6,439	$ 4,851	$ -	$ 11,290
Other employee benefits	$ 9,481	$ 11,847	$ -	$ 21,328
Depreciation expense				
Depreciation of property, plant and equipment	$ 167,822	$ 31,905	$ 1,821	$ 201,548
Depreciation of investment property	-	-	1,090	1,090
	$ 167,822	$ 31,905	$ 2,911	$ 202,638
Amortization expense	$ 8	$ 2,912	$ -	$ 2,920

	2014			
	Operating cost	Operating expense	Non-operating expense and losses	Total
Short-term employee benefits	$ 313,358	$ 333,942	$ -	$ 647,300
Retirement benefits	$ 6,364	$ 5,674	$ -	$ 12,038
Other employee benefits	$ 7,910	$ 12,658	$ -	$ 20,568
Depreciation expense				
Depreciation of property, plant and equipment	$ 167,846	$ 34,142	$ 3,952	$ 205,940
Depreciation of investment property	-	-	1,262	1,262
	$ 167,846	$ 34,142	$ 5,214	$ 207,202
Amortization expense	$ 10	$ 1,094	$ -	$ 1,104

No more than 7% and 2% of earnings are distributed by K Laser to bonuses to employees and remuneration to directors and supervisors respectively based on the proposal of earning distribution submitted for the current year in accordance with the Articles of Incorporation. In 2014, bonuses to employees were estimated at 7% of earnings and the amount of NT$4,231 thousand was recognized; remuneration to directors and supervisors was estimated at 2% of earnings and the amount of NT$1,209 thousand was recognized.

K Laser appropriates 4% to 8% and no more than 2% of income before tax prior to deduction of remuneration to employees, directors and supervisors for remuneration to employees and remuneration to directors and supervisors, respectively, in accordance with the amendments to the Company Act that were amended in May 2015 and the Articles of Incorporation proposed by the board of directors on December 29, 2015 to be amended. In 2015, remuneration to employees NT$8,108 thousand, estimated at 4.5% of the aforementioned income before tax, was recognized and remuneration to directors and supervisors NT$1,982 thousand, estimated at 1.1% of the income before tax, was recognized. These amounts were approved at the board meeting on March 10, 2016 to be appropriated in cash, and will be reported at the shareholders' meeting after the amendments to the Articles of Incorporation were approved at the regular meeting of shareholders held on May 27, 2016.

After the end of the year, when the amount approved by the board of directors is changed significantly prior to the date of promulgation of the approved annual consolidated financial statements, the allocated annual expenses are adjusted based on the change. If such amount is changed after the date of promulgation of the approved annual consolidated financial statements, it shall be dealt with based on changes in accounting estimates and then adjusted and carried next year. If the board of directors resolves to appropriate employees' bonuses by distributing stock dividends to employees, the number of shares to be bonuses is the amount of resolved bonuses divided by fair value of shares. Fair value of shares refers to the closing price one day before the date that the resolution is passed at the shareholders' meeting (after taking effect of ex-dividend and ex–right into account).

Bonuses to employees and remuneration to directors and supervisors for the years 2014 and 2013 that were approved at the regular meeting of shareholders held by K Laser on June 18, 2015 and June 18, 2014 respectively are as follows:

	2014		2013	
	Bonus in cash	Bonus in shares	Bonus in cash	Bonus in shares
Bonus to employees	$ 4,231	$ -	$ 8,071	$ -
Remuneration to directors and supervisors	1,209	-	2,306	-

The appropriations of bonus to employees and remuneration to directors and supervisors resolved at the regular meeting of shareholders held on June 18, 2015 and June 18, 2014 and the appropriations of bonus to employees and remuneration to directors and supervisors recognized in the consolidated financial statements are as follows:

	2014		2013	
	Bonus to employees	Remuneration to directors and supervisors	Bonus to employees	Remuneration to directors and supervisors
Appropriations approved at the shareholders' meeting	$ 4,231	$ 1,209	$ 8,071	$ 2,306
Appropriations recognized in the financial statements	4,231	1,209	6,691	1,912

The above differences of 2013 were adjusted in the profit or loss of 2014.

The information about the compensation to employees and the remuneration to directors and supervisors approved at the board meeting of K Laser for 2016 and the information about the bonus to employees and the remuneration to directors and supervisors approved at the shareholders meeting for 2015 and 2014 respectively are available at Taiwan Stock Exchange's Market Observation Post System website.

XXIV. Income Tax of Continuing Operations

(I) Income Tax Recognized in Profit or Loss

Income tax (gains) and expenses comprise the following:

	2015	2014
Current income tax		
Incurred in current year	$ 55,144	$ 35,544
Imposed on unappropriated earnings	8,123	20,281
Adjusted for previous years	673	(16,812)
Deferred income tax		

	2015	2014
Incurred in current year	1,281	(2,401)
Income tax expenses recognized in profit or loss	$ 65,221	$ 36,612

Accounting incomes and income tax expenses are reconciled as follows:

	2015	2014
Income before income tax of continuing operations	$248,595	$229,309
Income tax expenses calculated at the legal tax rate on the income before income	$ 85,175	$ 88,163
Investment gains recognized with equity method	(33,410)	(4,490)
Gains on disposal of domestic equity investments	-	(200)
Others	8,720	(200)
Deferred income tax assets not recognized in the previous year but used in the year	(4,060)	(44,630)
Operating loss carryforwards not recognized	-	(5,500)
Taxation on unappropriated earnings	8,123	20,281
Adjustment of income tax expenses of the previous year	673	(16,812)
Income tax expenses recognized in profit or loss	$ 65,221	$ 36,612

The Consolidated Companies applied a tax rate of 17% for entities subject to the Income Tax Act of the Republic of China and a tax rate of 25% for the subsidiaries located in China. For other jurisdictions, the Consolidated Companies measured taxes by using the applicable tax rate for each individual jurisdiction.

As earnings to be distributed for 2015 at the shareholders' meeting are still uncertain, potential income tax consequences for the 10% income tax imposed on the undistributed earnings have not been determined yet.

(II) Income Tax Assets and Liabilities

	December 31, 2015	December 31, 2014
Income tax assets		
Tax receivable	$ 4,276	$ 4,476
Income tax payable		
Income tax payable	$ 30,632	$ 30,144

(III) Deferred Income Tax Assets and Liabilities

	December 31, 2015	December 31, 2014
Deferred income tax assets		
Temporary differences		
Unrealized gross profit	$ 2,800	$ 3,700
Loss on allowance for doubtful receivables	16,743	15,694
Others	915	408
Operating loss carryforwards	32,483	34,285
Deferred income tax assets	$ 52,941	$ 54,087
Deferred income tax liabilities		
Temporary differences		
Others	$ 135	$ -
Deferred income tax liabilities	$ 135	$ -

(IV) Information about Unused Operating Loss Carryforwards

The information about operating loss carryforwards as of December 31, 2015 is as follows:

Unused Amount	Year of Last Carryforward
$ 39,080	2019
20,102	2020
75,768	2021
84,752	2022
21,670	2023
33,901	2030
$275,273	

(V) Integrated Income Tax Information

	December 31, 2015	December 31, 2014
Balance of the imputation credit account of shareholders (including income tax liability, end of year)	$ 17,272	$ 14,105
Unappropriated earnings after 1998	$408,801	$409,230

The creditable ratio for distribution of the earnings of 2015 and 2014 were 4.22% and 5.4%, respectively.

According to the Income Tax Act, when K Laser makes distribution from earnings of the year 1998 or each ensuing year, shareholders of the Republic of China are entitled to imputation credit calculated at tax deduction ratio on the date of dividend distribution. As the imputation credit allocated to shareholders is based on its balance as of the date of the dividend distribution, the creditable ratio estimated by K Laser for 2015 may change when the actual distribution of the imputation credit is made.

(VI) Income Tax Examination

The tax authorities have examined income tax returns of K Laser through 2012.

XXV. Earnings Per Share

EPS is computed as follows:

	2015			2014		
	Amount (Numerator)		Earnings Per Share (NT$)	Amount (Numerator)		Earnings Per Share (NT$)
	Profit after tax, available to shareholders of the Company	Number of shares (Denominator) (in thousands)	Profit after tax, available to shareholders of the Company	Profit after tax, available to shareholders of the Company	Number of shares (Denominator) (in thousands)	Profit after tax, available to shareholders of the Company
Basic earnings per share						
Earnings available to shareholders of common shares	$ 164,346	146,914	$ 1.12	$ 90,690	161,778	$ 0.56
Effect of dilutive potential common shares						
Convertible bonds	7,226	30,788		2,306	29,869	
Bonus to employees	-	727		-	253	
	$171 ,572	178,429	$ 0.96	$ 92 ,996	191,900	$ 0.48

If the Consolidated Companies may settle the obligation by cash, by issuing shares, or in combination of both cash and shares, profit sharing bonus to employees which will be settled in shares should be included in the weighted average number of shares outstanding in calculation of diluted EPS, if the shares have a dilutive effect. Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until profit sharing bonus to employees to be settled in the form of common stocks are approved at the shareholders' meeting in the following year.

XXVI. Non-cash Transactions

The Consolidated Companies conducted the following non-cash transactions in investing and financing activities in 2015 and 2014.

	2015	2014
Investing and financing activities not influencing cash flows		
Exchange differences on translation of foreign financial statements	($ 47,099)	$123,455

	2015	2014
Current portion of long-term liabilities transferred to current Liabilities	$483,901	$523,836
Cancelled treasury stock	$607,602	$137,431
Convertible bonds converted	$ -	$152,044

XXVII. Capital Risk Management

The objective of capital risk management is to ensure the Consolidated Companies has necessary financial resources and business plans to support their business requirements associated with working capital, capital expenditure, research and development, repayment of debts and payment of dividends over the next 12 months.

XXVIII. Financial Instruments

(I) Fair Value Information —Financial Instruments Not Measured at Fair Value

Except for financial assets carried at cost, whose fair value cannot be measured in a liable way, the Consolidated Companies consider that the carrying amounts of financial assets and financial liabilities measured not at fair value approximate their fair values.

(II) Fair Value Information —Financial Instruments Measured at Fair Value

1. Levels of fair value

December 31, 2015

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	$ 55,714	$ -	$ -	$ 55,714
Total	$ 55,714	$ -	$ -	$ 55,714
Financial liabilities at fair value through profit or loss	$ -	$ 6,418	$ -	$ 6,418
Total	$ -	$ 6,418	$ -	$ 6,418

December 31, 2014

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	$ 133,113	$ 210	$ -	$ 133,323
Total	$ 133,113	$ 210	$ -	$ 133,323
Financial liabilities at fair value through profit or loss	$ -	$ 3,860	$ -	$ 3,860
Total	$ -	$ 3,860	$ -	$ 3,860

There were no transfers between Level 1 and Level 2 of the fair value hierarchy in 2015 and 2014.

2. Valuation techniques and inputs for level 2 fair value measurement

Types of Financial Instruments	Valuation Techniques and Inputs
Derivative financial instruments—Convertible bonds	Fair value is calculated using the option pricing model. The estimates and assumptions used by the Company for pricing is consistent with the estimates and assumptions used by market participants when pricing financial products.
Derivative financial instruments—Forward exchange contracts	Discounted cash flow: Future cash flow estimated based on observable forward exchange rates at the end of the reporting period, and discounted to reflect the credit risk of each counterpart.

(III) Types of Financial Instruments

	December 31, 2015	December 31, 2014
Financial assets		
Loans and receivables		
Cash and cash equivalents	$ 1,241,811	$ 1,106,260
Notes and accounts receivable (Including those from related parties)	1,547,901	1,696,171
Other receivables	62,778	170,376
refundable deposits	19,677	31,692
Restricted assets－Noncurrent (Stated as other noncurrent assets－Others)	91,809	96,309
Financial assets at fair value through profit or loss (Current and noncurrent)	55,714	133,323
Financial assets carried at cost－Noncurrent	60,055	45,055
Financial liabilities		
Financial liabilities at fair value through profit or loss (Current and noncurrent)	$ 6,418	$ 3,860
Measured at amortized cost:		
Short-term loans	509,476	418,319
Short-term notes and bills payable	99,912	99,973

	December 31, 2015	December 31, 2014
Notes and accounts payable (including those to related parties)	394,378	346,811
Other payables	260,077	288,924
Long-term loans (including current portion of such loans)	1,503,901	823,836
Guarantee deposits (listed as other non-current liabilities —Others)	-	50,000

(IV) Purposes and Policies of Financial Risk Management

Main financial instruments of the Consolidated Companies include equity and bond investment, accounts receivable, accounts payable, bonds payable and loans. The financial management department of the Consolidated Companies provides various services and handles overall operations for entering the domestic and international financial markets. It supervises and manages financial risk related to operations of the Consolidated Companies based on the internal risk report, which analyzes risk exposure based on the degree and extensiveness of risk. Such risks include market risk, credit risk and liquidity risk.

1. Market risk

The Consolidated Companies' operating activities make the Consolidated Companies be exposed to financial risks arising from changes in foreign exchange rates and in interest rates.

There is no change as for financial instruments exposed to market risk or the method used by the Consolidated Companies to manage and measure such risk.

(1) Currency risk

The risks arising from changes in foreign exchange rates to which the Consolidated Companies are exposed are managed to the extent tolerated by the procedure of carrying out financial derivatives transactions. Forward exchange contracts are utilized to reduce the related risks.

Please see Note 32 for the carrying amounts of the Consolidated Companies' monetary assets and monetary liabilities carried in non-functional currencies at the balance sheet date.

The Consolidated Companies' sensitivity analysis only includes foreign currency items, which are calculated assuming an appreciation of 10% in New Taiwan dollars against other currencies at the end of the reporting period, and adjusts income before taxes by a certain amount. If New Taiwan dollars depreciates by 10%, then the effect on income before taxes is the negative of the same amount.

	Effect from USD		Effect from JPY		Effect from RMB	
	2015	2014	2015	2014	2015	2014
Income effects	$75,898	$70,776	($18,748)	($13,999)	$20,130	$24,030

(2) Interest rate risk

The Consolidated Companies are exposed to interest rate risk arising from time deposits and borrowings at floating interest rates.

Carrying amounts of the financial assets and liabilities of the Consolidated Companies exposed to interest rate risk at the balance sheet date were as follows:

	December 31, 2015	December 31, 2014
Interest rate risk from cash flows		
Financial assets	$ 91,809	$ 96,309
Financial liabilities	1,177,036	950,523

The sensitivity analysis of interest rate risk was conducted mainly based on changes in fair value of financial assets and liabilities at floating interest at the end of the reporting period. A hypothetical increase in interest rate of 1% would have resulted in an increase in cash outflows by NT$10,852 thousand and NT$8,542 thousand for the years 2015 and 2014.

2. Credit risk

Credit risk refers to the risk that a counterparty delays its contractual obligations resulting in financial loss to the group.

The Consolidated Companies require each significant counterparty to provide with a collateral or any right of guarantee in order to reduce credit risk assumed by the Consolidated Companies. A task group designated by management of the Consolidated Companies is responsible for determination of credit line, approval of credit and other control procedures to make sure that proper measures are taken for recovery of payables overdue. Besides, the Consolidated Companies check recoverable amounts of receivables one by one at the balance sheet date in order to make sure that proper impairment loss is recognized for unrecoverable receivables. Based on the above activities, management of the Consolidated Companies believes that credit risk assumed by the Consolidated Companies has significantly reduced.

3. Liquidity risk

Working capital of the Consolidated Companies had been sufficient, so there was no liquidity risk arising from incapability of performance of contractual obligations due to failure to raise funds.

The maturity profile of the Consolidated Companies' non-derivative financial liabilities is as follows:

	December 31, 2015			
	Less than 1 year	2～3 years	Over 3 years	Total
Non-derivative financial liabilities				
Liabilities without interest	$ 654,455	$ -	$ -	$ 654,455
Liabilities at floating interest rates	157,036	1,020,000	-	1,177,036
Liabilities at fixed interest rates	936,253	-	-	936,253
	$1,747,744	$1,020,000	$ -	$2,767,744

	December 31, 2014			
	Less than 1 year	2～3 years	Over 3 years	Total
Non-derivative financial liabilities				
Liabilities without interest	$ 635,735	$ -	$ -	$ 635,735
Liabilities at floating interest rates	650,523	300,000	-	950,523
Liabilities at fixed interest rates	391,605	475,195	-	866,800
	$1,677,863	$ 775,195	$ -	$2,453,058

XXIX. Related Party Transactions

Intercompany transactions, balances, profits, expenses and losses between K Laser and its subsidiaries (which are related parties of K Laser) have been eliminated upon consolidation; therefore those items are not disclosed in this note. Transactions between the Consolidated Companies and other related parties were as follows:

(I) Operating Transactions

Sale	2015	2014
Associates	$ 85,341	$163,987

Purchases	2015	2014
Associates	$266,589	$262,683

Outsourced manufacturing	2015	2014
Associates	$ 548	$ -

Operating expenses	2015	2014
Associates	$ 29	$ 17

Other incomes	2015	2014
Associates	$ 11,775	$ 17,237

(II) Outstanding balances at the balance sheet date were as follows:

	Receivables from related parties	
	December 31, 2015	December 31, 2014
Associates	$ 44,814	$ 24,088

	Payables to related parties	
	December 31, 2015	December 31, 2014
Associates	$ 87,460	$ 88,010

	Other receivables and other current assets	
	December 31, 2015	December 31, 2014
Associates	$ 50,346	$ 77,325

The price and payment terms to related parties were not significantly different from those to third parties.

(III) Fund Accommodation

Loans provided to related parties by the Consolidated Companies are as follows:

	2015		2014	
Name of Related Party	Maximum Balance	Ending Balance	Maximum Balance	Ending Balance
Associates	$ 123,422	$ -	$ 66,112	$ -

(IV) Endorsements and Guarantees

Joint guarantors for the borrowings to the Consolidated Companies are their related parties. Joint guarantee is summarized as follows:

Name of Related Party	Nature of Joint Guarantee	December 31, 2015	December 31, 2014
Key management personnel	Short-term loans	$ 491,313	$ 321,132
	Long-term loans	1,020,000	823,836
		$1,511,313	$1,144,968

(V) Compensation to Key Management Personnel

The compensation to directors and key management personnel of the Consolidated Companies for 2015 and 2014 was as follows:

	2015	2014
Short-term employee benefits	$ 17,862	$ 14,777
Retirement benefits	108	108
	$ 17,970	$ 14,885

The compensation to directors and key management personnel was determined by the compensation committee based on individual performance and market trends.

XXX. Pledged Assets

The following assets of the Consolidated Companies were provided as securities for the loans under loan contracts and for business requirements.

	December 31, 2015	December 31, 2014
Deposits in bank	$ 91,809	$ 96,309
Noncurrent assets held for sale	-	21,560
Property, plant and equipment	229,797	217,482
investment property	26,433	27,526
	$348,039	$362,877

XXXI. Significant Commitments and Contingent Liabilities

(I) Operating Lease

K Laser leased several parcels of land from the Science Park Administration by means of operating lease. (Lease period: 1998.10.16～2018.10.15). Rents will be varied subject to land price adjustments made by the government. Rents to be paid in near future are as follows:

Year	Amount
2016 to 2018 (each year)	$ 3,142

(II) Endorsements and guarantees provided by the Consolidated Companies are detailed as follows:

Unit: Foreign currency in thousands / NTD in thousands

	December 31, 2015	December 31, 2014
K Laser China Group Holding		
Guarantees	USD 11,000	USD 14,000
Guarantees	NTD -	NTD -
Amount actually drawn	USD 4,700	USD 5,500
K Laser Technology (USA) Co., Ltd.		
Guarantees	USD 1,500	USD 1,500
Amount actually drawn	USD 485	USD 660

XXXII. Exchange Rate Information of Foreign Currency Financial Assets and Liabilities

The Consolidated Companies' significant financial assets and liabilities denominated in foreign currencies were as follows:

Unit: Foreign currency in thousands / NTD in thousands

	December 31, 2015			December 31, 2014		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
Financial assets						
Monetary items						
USD	$ 35,803	32.8250	$1,175,233	$ 33,988	31.6500	$1,075,720
EUR	136	35.8800	4,880	24	38.4700	923
HKD	32	4.2350	136	31	4.0800	127
JPY	267	0.2727	73	22	0.2646	6
AUD	-	23.9850	-	392	25.9050	10,155
GBP	-	48.6700	-	1	49.2700	49
RMB	40,499	4.9780	201,604	47,263	5.0855	240,356
Long-term equity investments with equity method						
USD	14,145	32.8250	464,306	13,977	31.6500	442,363
Financial liabilities						
Monetary items						
USD	$ 12,681	32.8250	$ 416,254	$ 11,626	31.6500	$ 367,963
EUR	4	35.8800	144	2	38.4700	77
JPY	687,768	0.2727	187,554	529,270	0.2645	139,992
GBP	-	48.6700	-	7	49.2700	345
RMB	62	4.9780	309	12	5.0855	61

XXXIII. Additional Disclosures

(I) Significant Transactions and Reinvestment Related Information:

No.	Item	Explanation
1	Financings provided	Attachment 1
2	Endorsements and guarantees provided	Attachment 2
3	Marketable securities held	Attachment 3
4.	Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital	None
5	Acquisition of individual real estate properties at costs of at least NT$300 million or 20% of the paid-in capital	None
6	Disposal of individual real estate properties at prices of at least NT$300 million or 20% of the paid-in capital	None
7	Total purchases from or sales to related parties of at least NT$100 million or 20% of the paid-in capital	Attachment 4
8	Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital	None
9	Information about the derivative financial instruments transaction	Note 7
10	Others: The business relationship between the parent and the subsidiaries and significant transactions between them	Attachment 7
11	Information of investees	Attachment 5

(II) Information on Investment in Mainland China:

No.	Item	Explanation
1	Name of the investees located in Mainland China, main businesses and products, issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, gains (losses) on investments, carrying amount of ending balance, amount received as dividends from investees, and the limitation on investees	Attachment 6
2	Significant direct or indirect transactions with investees located in Mainland China, prices and terms of payment, and unrealized gain or loss: (1) Amount and percentage of purchases, and ending balance and percentage of relevant payables (2) Amount and percentage of sales, and ending balance and percentage of relevant receivables (3) Amount of property transactions and profit or loss generated (4) Ending balance and purpose of collaterals provided or endorsements on notes (5) Maximum balance, ending balance, interest rate and total interest of financings for the year (6) Other transactions with a significant impact on income or financial status for the year, such as provision or use of service.	Attachment 6

XXXIV. Operating Segments Information

The Consolidated Companies sell holography products. Based on information of the individual industry that is provided to chief operation decision makers for distributing resources and assessing segment performance, the Consolidated Companies focus on areas they deliver or provide products to. The Consolidated Companies have to report the following operating segments in accordance with the Statement of Financial Accounting Standards No. 41 "Disclosure of Operating Segments Information":

China －Wuxi K Laser Technology Co., Ltd
－Dongguan K Laser Technology Co., Ltd
－K Laser Technology (HK) Co., Ltd.
Other Asian territories－K LASER Technology Inc.
－K Laser Technology (Thailand) Co., Ltd.
－K Laser Sticker Co., Ltd. (already liquidated and dissolved on March13, 2014)
－K Laser Technology (Korea) Co., Ltd.
－K Laser Technology Japan Co., Ltd.
－Amagic Holographics India Private Limited
－Optivision Technology Inc.
－Ningbo Guangyao Optivision Technology Co., Ltd.
Other territories－Amagic Technologies U.S.A. (Dubai)
－K Laser Technology (USA) Co., Ltd.
－K Laser Technologies Mexico S.A. de C.V. (already sold on May 14,2015)
－Finity Laboratories

(I) Segment revenue and operating results

The continuing operations of the Consolidated Companies analyzed their revenue and operating results by analyzed segments as follows:

The financial information of intersegments for 2015 and 2014 is listed as follows:

	2015				
	China	Other Asian Territories	Others	Adjustment and Write-off	Total
Revenue	$2,590,730	$2,131,543	$ 423,455	($1,089,031)	$4,056,697
Cost of revenue	2,056,161	1,781,949	307,338	(1,101,658)	3,043,790
Gross profit	534,569	349,594	116,117	12,627	1,012,907
Operating expenses	317,920	312,408	122,702	(29,633)	723,397
Income (loss) from operations	216,649	37,186	(6,585)	42,260	289,510
Interest income	1,704	6,474	77	1	8,256
Interest expenses	-	30,423	3,164	164	33,751
Other incomes and (expenses and losses)	37,051	223,599	442,590	(718,660)	(15,420)
Income (loss) before income tax	255,404	236,836	432,918	(676,563)	248,595

	2014				
	China	Other Asian Territories	Others	Adjustment and Write-off	Total
Revenue	$2,445,511	$2,624,310	$ 484,860	($1,339,101)	$4,215,580
Cost of revenue	2,005,940	2,021,269	389,216	(1,322,917)	3,093,508
Gross profit	439,571	603,041	95,644	(16,184)	1,122,072
Operating expenses	356,140	395,711	196,394	(98,355)	849,890
Income (loss) from operations	83,431	207,330	(100,750)	82,171	272,182
Interest income	4,782	4,986	61	(182)	9,647
Interest expenses	223	28,755	4,034	(182)	32,840
Other incomes and (expenses and losses)	5,732	166,904	140,716	(333,032)	(19,680)
Income (loss) before income tax	93,712	350,465	35,993	(250,861)	229,309

Transactions among intersegments in 2015 and 2014 have been written off.

(II) Segment assets

	December 31, 2015				
	China	Other Asian territories	Others	Adjustment and Write-off	Total
Cash and cash equivalents	$ 437,721	$ 699,199	$ 104,891	$ -	$1,241,811
Notes and accounts receivable	1,037,498	729,545	46,912	(266,054)	1,547,901
Inventories	261,914	188,217	143,000	(29,056)	564,075
Other current assets	121,627	58,965	9,124	(14,353)	175,193
Total current assets	1,858,760	1,675,926	303,927	(309,633)	3,528,980
Funds and investments	663,334	3,814,172	5,754,456	(9,327,340)	904,622
Fixed assets	566,297	730,970	14,217	17,107	1,328,591
Intangible assets	14	4,030	-	-	4,044
Other assets	32,297	198,419	38,689	(39,602)	229,803
Total assets	3,120,702	6,423,517	6,111,289	(9,659,468)	5,996,040

	December 31, 2014				
	China	Other Asian territories	Others	Adjustment and Write-off	Total
Cash and cash equivalents	$ 187,147	$ 770,250	$ 149,702	($ 839)	$1,106,260
Notes and accounts receivable	1,126,639	811,029	79,566	(321,063)	1,696,171
Inventories	325,044	206,100	141,808	(50,954)	621,998
Other current assets	384,264	48,936	11,742	5,207	450,149
Total current assets	2,023,094	1,836,315	382,818	(367,649)	3,874,578
Funds and investments	399,982	3,823,147	5,682,923	(9,259,071)	646,981
Fixed assets	657,133	728,227	48,228	9,599	1,406,118
Intangible assets	44	1,582	-	-	1,626
Other assets	30,681	215,379	43,559	(43,701)	245,918
Total assets	3,110,934	6,604,650	6,157,528	(9,697,891)	6,175,221

Attachment 1 Financings Provided by the Company and Reinvesting companies

Unit: NTD in Thousands / Foreign Currency in Thousands

No. (Note 1)	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Dr5awn	Interest Rate	Nature for Financing (Note 2)	Transaction Amounts	Reason for Financing	Allowance for Doubtful Receivables	Collateral		Financial Limits for Each Borrowing Company (Note 3)	Financing Company's Total Financing Amount Limits (Note 3)	Remark
													Item	Value			
0	K LASER Technology Inc.	Everest Display Inc.	Other receivables	Yes	$ 50,000	$ 50,000	$ -	4.5%	2	$ -	Operating capital	$ -	None	None	$ 254,267	$ 635,667	
1	Treasure Access Limited	K Laser Technology, Mexico S.A. de C.V.	Other receivables	Yes (Note 4)	6,316 (USD 200)	- (USD -)	- (USD -)	-	2	-	Operating capital	-	None	None	575,900 (RMB115,689)	575,900 (RMB115,689)	
2	Wuxi K Laser Technology Co., Ltd	Hunan Yongan Laser Technology Co., Ltd.	Other receivables	Yes	67,106 (RMB 13,000)	- (RMB -)	-	6%-9%	1	70,514 (RMB 14,232)	Operating capital	-	None	None	366,948 (RMB73,714)	366,948 (RMB73,714)	

Note 1: Information on loans from the Company and subsidiaries to others should be divided into two tables and specified in the number column. The numbers should be filled in as follows:

(1) The Company is assigned the number 0.

(2) Numbers are assigned to subsidiaries by types of companies starting from 1.

Note 2: Information on loans from the Company and subsidiaries to others should be divided into two tables and specified in the number column. The numbers should be filled in as follows:

(1) Companies with business relationship are assigned the number 1.

(2) Companies with short-term financing needs are assigned the number 2.

Note 3: Categories of the total financing amount limits of the Company and its subsidiaries are as follows:

(1) According to the Company's procedure of financing, the Company's total financing amount limits shall not exceed 25% of its net worth, and the total amount for lending to a company shall not exceed 10% of its net worth.

(2) According to the Company's procedures of financings and endorsements and guarantees provided by subsidiaries, the total amount lendable by all entities (subsidiaries) of the group shall not exceed 45% of the net worth of all entities (subsidiaries) of the group. The total amount for lending to companies for funding for a short-term period shall not exceed 45% of the net worth of all entities (subsidiaries) of the group.

Note 4: K Laser Technology, Mexico S.A. de C.V. was not a related party from May 14, 2015.

Attachment 2 Endorsements and Guarantees Provided

Unit: NTD in Thousands / Foreign Currency in Thousands

No. (Note 1)	Endorsement and Guarantee Provider	Guaranteed Party		Limits on Endorsement and Guarantee Amount Provided to Each Guaranteed Party (Note 3)	Maximum Balance for the Period	Ending Balance	Amount Actually Dr5awn	Amount of Endorsement and Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement and Guarantee to Net Equity in Latest Financial Statements (%)	Maximum Endorsement and Guarantee Amount Allowable (Note 3)	Endorsement and Guarantee Provided by Parent Company	Endorsement and Guarantee Provided by a Subsidiary	Endorsement and Guarantee Provided to Subsidiaries in Mainland China	Remark
		Name of Company	Relationship (Note 2)											
0	K LASER Technology Inc.	K Laser China Group Holding Co., Limited	3	$ 508,534	$ 460,180 (USD 14,000)	$ 361,075 (USD 11,000)	$ 154,278 (USD 4,700)	$ -	14.2%	$ 1,017,067	Yes	No	No	
0	K LASER Technology Inc.	K Laser Technology (USA) Co., Ltd.	3	508,534	49,305 (USD 1,500)	49,238 (USD 1,500)	15,920 (USD 485)	-	1.94%	1,017,067	Yes	No	No	

Note 1: Information on endorsements and guarantees of the Company and subsidiaries to others should be divided into two tables and specified in the number column. The numbers should be filled in as follows:

(1) The Company is assigned the number 0.

(2) Numbers are assigned to subsidiaries by types of companies starting from 1.

Note 2: The Company has 6 types of relationships with the subjects it endorses, including:

(1) Companies with business relationship;

(2) Subsidiaries, more than 50% of common shares of which are possessed directly by the Company;

(3) Investees, more than 50% of common shares of which are possessed by parent company and subsidiaries;

(4) Parent company that possesses 50% of the Company’s common shares directly or through subsidiaries;

(5) Companies that endorse each other based on a contract to carry out a construction project; and

(6) Companies endorsed by its shareholders according to the shareholding ratio.

Note 3: According to the Company’s Regulations for Implementation of Endorsement and Guarantee, the maximum endorsement and guarantee amount allowable shall not exceed 40% of the net worth stated in the latest financial statement of the Company, and the limits on endorsement and guarantee amount provided to each guaranteed party shall not exceed 20% of the net worth stated in the latest financial statement of the Company.

Note 4: For actually appropriated loans, please see Note 29.

Attachment 3 Marketable Securities Held at the End of the Year

Unit: Amounts NTD in Thousands, unless specified otherwise

Held Company	Type and Name of Marketable Securities	Relationship with the Company	Financial Statement Account	End of the Year				Remark
				Number of Shares	Carrying Amount	Percentage of Ownership	Fair Value (Note1)	
	Stocks							
K LASER Technology Inc.	Minton Optic Industry Co., Ltd.	None	Financial assets carried at cost — Noncurrent	857,900	$ -	1	$ -	
K LASER Technology Inc.	Chi Mei Visual Technology Corporation	〃	〃	4,800,000	30,055	16	-	
K LASER Technology Inc.	China Development Biomedical Venture Co., Ltd.	〃	〃	3,000,000	30,000	2	-	
	Bonds							
K LASER Technology Inc.	Well Glory Development Co. Ltd.	None	Financial assets at fair value through profit or loss－Current	50,000	4,890	-	4,890	
	Funds							
K LASER Technology Inc.	Franklin U.S. Government Fund	None	Financial assets at fair value through profit or loss－Current	18,060	6,497	-	6,497	
	CTBC Asia Pacific Multi Income Fund	None	Financial assets at fair value through profit or loss－Current	500,000	5,014		5,014	
	Jih Sun Asian High Yield Bond	None	Financial assets at fair value through profit or loss－Current	417,526	4,957		4,957	
Wuxi K Laser Technology Co., Ltd	CR Yuanta Cash Income Money Market Fund	None	Financial assets at fair value through profit or loss－Current	-	34,356	-	34,356	

Note 1: As final reports of some investing companies were not available, fair value was not disclosed.

Note 2: Please see Attachment 5 and Attachment 6 for information relevant to investments of subsidiaries and associates.

Attachment 4 Total Purchases from or Sales to Related Parties of At Least NT$100 Million or 20% of the Paid-in Capital

Unit: NTD in Thousands

Purchasing (Selling) Company	Counterparty	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes and Accounts Receivable (Payable)		Remark
			Purchases (Sales)	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
K LASER Technology Inc.	K Laser Technology (USA) Co., Ltd.	Grandson company of K Laser directly holding 80% of its shares	Sales	$ 183,439	36	D/A 60 天	N/A	N/A	$ 28,175	29	
K LASER Technology Inc.	Top Band Intstrant Ltd.	Grandson company of K Laser directly holding 99.60% of its shares	Purchases	(172,049)	53	D/A 60 天	N/A	N/A	(24,680)	41	
Optivision Technology Inc.	Dongguan K Laser Technology Co., Ltd	Grandson company of K Laser directly holding 99.60% of its shares	Sales	272,369	25	Net 90 days from the end of the month when the invoice is issued	N/A	N/A	67,626	13	
Top Band Investment Ltd.	Dongguan K Laser Technology Co., Ltd	Grandson company of K Laser directly holding 99.60% of its shares	Purchases	(161,117)	97	D/A 45 days	N/A	N/A	(23,186)	94	
Wuxi K Laser Technology Co., Ltd	Jiangsu Xinguang Laser Packing Materials Co., Ltd.	Invested company, evaluated with equity method	Purchases	(265,596)	44	D/A 60 days	N/A	N/A	(87,425)	70	

Attachment 5 Investees, their Locations and Relevant Information

Unit: NTD in Thousands / Foreign Currency In Thousands

Name of Investing Company	Name of Investee	Location	Main Business Items	Original Investment Amount		Balance at the End of Year			Net Income (Loss) of Investee	Share of Profits / Losses of Investee	Remark
				Ending Balance for the Year	Ending Balance for Last Year	Number of Shares	Percentage of Ownership%	Carrying Amount			
K LASER Technology Inc.	K Laser China Group Co., Ltd.	British Virgin Islands	Reinvesting company	$ 860,508	$ 959,501	25,771,139	100	$ 2,479,353	$ 202,402	$ 200,572	
〃	K Laser International Co., Ltd.	British Virgin Islands	Reinvesting company	686,122	702,276	19,776,367	100	645,931	27,856	27,856	
〃	Optivision Technology Inc.	Hsinchu City	Production and sale of optical equipment and electronic parts and components	307,976	307,976	22,699,420	47	429,689	22,298	22,063	
〃	iWin Technology Co., Ltd.	British Virgin Islands	Reinvesting company	68,697	61,037	110,995	49	17,695	(15,848)	(7,140)	
〃	Wellcome Co., Ltd.	Yunlin County	Manufacturing, processing, purchase and sale of fluorescence paints and dyes	26,489	26,489	2,661,237	33	89,824	39,699	13,125	
〃	Everest Display Inc.	Hsinchu City	Production and sale of optical equipment and wireless communication machines and devices	304,698	301,198	12,767,856	39	43,097	(84,708)	(42,744)	
〃	Chun Yao Co., Ltd.	Hsinchu City	Research, development and sale of gastrointestinal endoscope	11,000	-	1,000,000	36	7,899	(8,530)	(3,101)	
K Laser International Co., Ltd.	K Laser Technology ,Mexico, S.A.de C.V.	Mexico	Manufacturing and sale of holography products	USD - (註)	USD 2,670	-	-	- (Note)	-	-	
〃	K Laser Technology (USA) Co., Ltd.	USA	Sale of holography products	USD 6,500	USD 6,500	6,500,000	80	USD 2,634	USD 274	USD 222	
〃	K Laser Technology (Thailand) Co., Ltd.	Thailand	Manufacturing and sale of holography products	USD 1,801	USD 1,801	9,277,984	83	USD 7,597	USD 1,004	USD 846	
〃	K Laser Technology (Korea) Co., Ltd.	Korea	Manufacturing and sale of holography products	USD 1,995	USD 2,345	432,607	81	USD 862	(USD 451)	(USD 432)	
〃	K Laser IMEA Co., Ltd.	Mauritius	Reinvesting company	USD 3,050	USD 3,050	3,050,390	100	USD 1,946	USD 289	USD 289	
〃	Amagic Technologies U.S.A. (Dubai) Ltd.	Dubai	Sale and being the agent of holography products	USD 1,094	USD 1,094	-	100	USD 1,638	USD 181	USD 181	
〃	K Laser Technology Japan Co., Ltd.	Japan	Manufacturing and sale of holography products	USD 830	USD 830	1,344	70	USD 2,413	(USD 10)	(USD 7)	
〃	Everest Technology Ltd.	China	Production and sale of optical equipment	USD 1,503	USD 1,503	7,142,857	16	USD 1,231	(USD 314)	(USD 49)	
K Laser China Group Co., Ltd.	K Laser China Group Holding Co., Limited	Cayman Islands	Reinvesting company	RMB211,291	RMB211,291	102,901,766	100	RMB501,140	RMB 40,725	RMB 40,563	
〃	Holoprint Co., Ltd.	British Virgin Islands	Reinvesting company	RMB 1	RMB 1	1	100	RMB -	RMB -	RMB -	

Note: The Consolidated Companies sold all of their equity of K Laser Technology ,Mexico, S.A.de C.V. to a third party on May 14, 2015.

(Carried forward)

(Brought forward)

Name of Investing Company	Name of Investee	Location	Main Business Items	Original Investment Amount		Balance at the End of Year			Net Income (Loss) of Investee	Share of Profits / Losses of Investee	Remark
				Ending Balance for the Period	Ending Balance for Last Period	Number of Shares	Percentage of Ownership%	Carrying Amount			
K Laser China Group Holding Co., Limited	K Laser Technology (HK) Co., Ltd.	Hong Kong	Sale and being the agent of holography products	RMB 1,092	RMB 1,092	1,283,500	100	RMB 9,328	RMB 1,559	RMB 1,559	
〃	Holomagic Co., Ltd.	British Virgin Islands	Reinvesting company	RMB 83,813	RMB110,423	30,000	100	RMB258,888	RMB 9,577	RMB 9,603	
〃	Top Band Investment., Ltd.	British Virgin Islands	Reinvesting company	RMB130,106	RMB146,201	50,000	100	RMB261,506	RMB 34,264	RMB 34,148	
〃	iWin Technology Co., Ltd.	British Virgin Islands	Reinvesting company	RMB 14,437	RMB 12,910	115,525	51	RMB 4,298	(RMB 3,159)	(RMB 1,611)	
Holomagic Co., Ltd.	Treasure Access Limited	Hong Kong	Reinvesting company	RMB 41,286	RMB 56,453	10,000	100	RMB257,086	RMB 11,121	RMB 11,121	
Top Band Investment Ltd.	Union Bloom Co., Ltd.	Hong Kong	Reinvesting company	RMB113,329	RMB129,441	10,000	100	RMB258,885	RMB 34,846	RMB 34,846	
K Laser IMEA Co., Ltd.	Amagic Holographics India Private Limited	India	Manufacturing and sale of holography products	USD 2,508	USD 2,508	10,915,594	100	USD 1,509	USD 217	USD 217	
iWin Technology Co., Ltd.	Finity Laboratories	USA	Research and development of holography products	USD 700	USD 700	700,000	100	USD 1,128	(USD 3)	(USD 3)	
Treasure Access Limited	Wuxi K Laser Technology Co., Ltd	China	Manufacturing and sale of holography products	RMB 44,156	RMB 44,156	-	100	RMB158,359	RMB 6,990	RMB 7,817	
〃	Hunan Yongan Laser Technology Co., Ltd.	China	Research, development and production of novel environmentally-friendly packing materials and anti-counterfeiting products	RMB 21,952	RMB 21,952	-	49	RMB 35,488	RMB 7,964	RMB 3,903	
〃	Jiangsu Xinguang Laser Packing Materials Co., Ltd. (Former Jiangyin Xinguang Laser Packing Materials Co., Ltd.)	China	Production of special film coated paper, decorative film and eco transfer paper	RMB 26,600	RMB 26,600	26,600,000	33	RMB 38,667	RMB 9,903	RMB 3,212	
〃	Jiangyin Guangqun Laser Technology Co., Ltd.	China	Research and development of laser anti-counterfeiting packing technology, and processing of laser anti-counterfeiting plastic materials, film and card paper	RMB 3,000	RMB 3,000	-	30	RMB 3,781	(RMB 150)	(RMB 45)	
Union Bloom Co., Ltd.	Dongguan K Laser Technology Co., Ltd	China	Manufacturing and sale of holography products	RMB165,621	RMB165,621	-	100	RMB260,693	RMB 36,414	RMB 36,414	
Wuxi K Laser Technology Co., Ltd	Foshan Donglin Packing Materials Co., Ltd.	China	Production of packing materials for cigerettes and augmented products	RMB 8,253	RMB 8,253	-	25	RMB 7,216	RMB 9	RMB 2	
Dongguan K Laser Technology Co., Ltd	Hunan Yongan Packing Materials Co., Ltd.	China	Production, processing and sale of film and cigarettes, and cutting of cigarette paper	RMB 44,300	-	-	49	RMB 44,300	(RMB 3,851)	-	
Dongguan K Laser Technology Co., Ltd	Hunan Yonghe Packing Materials Co., Ltd.	China	Production of paper products and sale of other packing materials, packing products and products	RMB 3,800	-	-	49	RMB 3,800	(RMB 781)	-	

Attachment 6 Information on Investment in Mainland China

1. Investee's name, main businesses and products, issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, profit or loss for the year, recognized investment gains or losses, carrying amount of ending balance, amount received as dividends from investees, and the limitation on investments in Mainland China

Unit: Foreign Currency in Thousands / NTD in Thousands

Name of Investee	Main Business Items	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of Beginning of the Period	Investment Flows: Outflow	Investment Flows: Inflow	Accumulated Outflow of Investment from Taiwan as of End of Year	Percentage of Ownership %	Net Income (Loss) of Investee	Share of Profits (Losses)	Carrying Amount at End of Year	Accumulated Inward Remittance to Taiwan as of End of Year
Wuxi K Laser Technology Co., Ltd	Research, development and production of laser holography products, opto-electronic equipment and optoelectronic materials	$ 628,916 (RMB126,339)	Reinvestment in entities in China through existing entities in third territories	$ 219,599 (USD 6,690)	$ -	$ -	$ 219,599 (USD 6,690)	100	$ 34,796 (RMB 6,990)	$ 38,913 (RMB 7,817)	$ 788,311 (RMB158,359)	$ 86,234 (RMB17,323)
Dongguan K Laser Technology Co., Ltd	Production and sale of polyethylene and rigid polyvinyl chloride film and tinsel	824,461 (RMB165,621)	Reinvestment in entities in China through existing entities in third territories	67,587 (USD 2,059)	-	-	67,587 (USD 2,059)	100	181,269 (RMB36,414)	181,269 (RMB36,414)	1,297,730 (RMB260,693)	71,260 (RMB14,315)
Dongguan Rimei Laser Printing Co., Ltd. (Note 5)	Production and sale of color printed boxes and products and laser printed products	126,133 (RMB25,338)	Investment in entities in China through remittance from third territories	70,574 (USD 2,150)	-	-	70,574 (USD 2,150)	-	-	-	-	
Hunan Yongan Laser Technology Co., Ltd.	Research, development and production of laser paper, alumite and other novel environmentally- friendly packing materials and anti-counterfeiting products	223,014 (RMB44,800) (Note 2)	Reinvestment in entities in China through existing entities in third territories	-	-	-	-	49	39,645 (RMB 7,964)	19,429 (RMB 3,903)	176,659 (RMB35,488)	18,931 (RMB 3,803)
Jiangsu Xinguang Laser Packing Materials Co., Ltd. (Former Jiangyin Xinguang Laser Packing Materials Co., Ltd.)	Production of special film coated paper, decorative film and eco transfer paper	398,240 (RMB80,000) (Note 3)	Reinvestment in entities in China through existing entities in third territories	-	-	-	-	33	49,927 (RMB 9,903)	15,989 (RMB 3,212)	192,484 (RMB38,667)	
Jiangyin Guangqun Laser Technology Co., Ltd.	Research and development of laser anti-counterfeiting packing technology, and processing of laser anti-counterfeiting plastic materials, film and card paper	49,780 (RMB10,000)	Reinvestment in entities in China through existing entities in third territories	-	-	-	-	30	(747) (RMB -150)	(224) (RMB -45)	18,822 (RMB 3,781)	
Everest Technology Ltd.	Research, development and production of large LCD projection display, optical engine for monitor and projection tube	227,086 (RMB45,618)	Reinvestment in entities in China through existing entities in third territories	49,336 (USD 1,503)	-	-	49,336 (USD 1,503)	16	(10,307) (USD -314)	(1,608) (USD -49)	40,408 (USD 1,231)	

2. Limits on Investments in Mainland China

Accumulated Investment in Mainland China as of End of Year	Investment Amounts Authorized by Investment Commission, Ministry of Economic Affairs	Limit on Investment Provided by Investment Commission, Ministry of Economic Affairs
$ 407,096 (USD 12,402)	$ 1,982,105 (Note 4) (USD 60,384)	(Note 1)

Note 1: Approved by the head office of the operation in accordance with regulations, the investment amount is not restricted to the limitation of 60% of net worth or NT$80,000 thousand.

Note 2: It includes investment of USD2,512 thousand in cash through entities located in third territories.

Note 3: It includes investment of USD3,705 thousand in cash through entities located in third territories.

Note 4: It includes earnings USD11,748 thousand transferred to investment.

Note 5: Stock rights invested has been disposed, but the amount approved has not been nullified at the Investment Commission.

3. Significant direct or indirect transactions with investees located in Mainland China:

Unit: USD in Thousands

Name of Related Party	Relation between the Company and the Related Party	Type of Transaction	Amount	Transaction Terms and Conditions			Notes and Accounts Receivable (Payable)		Unrealized Profit or Loss
				Price	Payment Terms	Comparison with General Transactions	Balance	Percentage (%)	
Wuxi K Laser Technology Co., Ltd	Subsidiary of which the 100% ownership is held indirectly by the Company	Sales	$ 3,853 (USD 122	Price negotiation	Net 60 days from the end of the month when the invoice is issued	Similar	$ 1,082 (USD 33	1	$ -
Dongguan K Laser Technology Co., Ltd	Subsidiary of which the 100% ownership is held indirectly by the Company	Sales	10,060 (USD 320	Price negotiation	Net 60 days from the end of the month when the invoice is issued	Similar	1,269 (USD 39	1	-

4. Amount of property transactions and profit or loss generated: None
5. Endorsement, guarantee or collateral provided by investees in Mainland China directly or through entities located in third territories: Attachment 2
6. Financings provided to investees in Mainland China directly or through entities located in third territories; None
7. Other transactions with a significant impact on income or financial status for the year: None

Attachment 7 Business Relationship Between the Parent and the Subsidiaries and Significant Transactions Between Them

2015

No.	Company Name	Counterparty	Nature of Relationship	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Net Revenue or Total Assets %
0	K Laser	Amagic USA	Parent company vs. subsidiary	Accounts receivable	$ 28,175	—	-
0	K Laser	K Laser Japan	Parent company vs. subsidiary	Accounts receivable	15,947	—	-
0	K Laser	Top Band	Parent company vs. subsidiary	Accounts payable	24,680	—	-
0	K Laser	Holomagic	Parent company vs. subsidiary	Accounts payable	12,901	—	-
0	K Laser	Finity	Parent company vs. subsidiary	Fixed assets	12,701	—	-
0	K Laser	Holomagic	Parent company vs. subsidiary	Purchases	31,305	—	1
0	K Laser	Top Band	Parent company vs. subsidiary	Purchases	172,049	—	4
0	K Laser	Amagic USA	Parent company vs. subsidiary	Sales	183,439	—	5
0	K Laser	Amagic Dubai	Parent company vs. subsidiary	Sales	17,469	—	-
0	K Laser	K Laser Japan	Parent company vs. subsidiary	Sales	55,703	—	1
0	K Laser	K Laser Thailand	Parent company vs. subsidiary	Sales	10,217	—	-
0	K Laser	Dongguan K Laser	Parent company vs. subsidiary	Sales	10,060	—	-
1	Optivision Technology Inc.	Dongguan K Laser	Subsidiary vs. subsidiary	Accounts receivable	67,626	—	1
1	Optivision Technology Inc.	Dongguan K Laser	Subsidiary vs. subsidiary	Sales	272,369	—	7
2	Top Band	Dongguan K Laser	Subsidiary vs. subsidiary	Accounts payable	RMB 4,658	—	-
2	Top Band	Dongguan K Laser	Subsidiary vs. subsidiary	Purchases	RMB 32,125	—	4
3	Dongguan K Laser	Wuxi K Laser	Subsidiary vs. subsidiary	Sales	RMB 6,980	—	1
3	Dongguan K Laser	Wuxi K Laser	Subsidiary vs. subsidiary	Purchases	RMB 2,805	—	-
4	Wuxi K Laser	K Laser Korea	Subsidiary vs. subsidiary	Sales	RMB 2,501	—	-
4	Wuxi K Laser	K Laser Hong Kong	Subsidiary vs. subsidiary	Sales	RMB 19,150	—	2
4	Wuxi K Laser	Holomagic	Subsidiary vs. subsidiary	Sales	RMB 6,172	—	1

(Carried forward)

(Brought forward)

2014

Unit: NTD in Thousands / Foreign Currency In Thousands

No.	Company Name	Counterparty	Nature of Relationship	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Net Revenue or Total Assets %
0	K Laser	Amagic USA	Parent company vs. subsidiary	Accounts receivable	$ 43,080	—	1
0	K Laser	K Laser Japan	Parent company vs. subsidiary	Accounts receivable	13,801	—	-
0	K Laser	Top Band	Parent company vs. subsidiary	Accounts payable	32,335	—	1
0	K Laser	Finity	Parent company vs. subsidiary	Fixed assets	6,326	—	-
0	K Laser	Top Band	Parent company vs. subsidiary	Purchases	162,763	—	4
0	K Laser	Wuxi K Laser	Parent company vs. subsidiary	Purchases	22,311	—	-
0	K Laser	Dongguan K Laser	Parent company vs. subsidiary	Purchases	12,522	—	-
0	K Laser	Amagic Dubai	Parent company vs. subsidiary	Sales	14,599	—	-
0	K Laser	Amagic USA	Parent company vs. subsidiary	Sales	206,872	—	5
0	K Laser	K Laser Japan	Parent company vs. subsidiary	Sales	61,815	—	1
0	K Laser	K Laser Thailand	Parent company vs. subsidiary	Sales	12,437	—	-
0	K Laser	K Laser Korea	Parent company vs. subsidiary	Sales	14,294	—	-
0	K Laser	International	Parent company vs. subsidiary	Sales	12,210	—	-
1	Optivision Technology Inc.	Dongguan K Laser	Subsidiary vs. subsidiary	Accounts receivable	81,540	—	1
1	Optivision Technology Inc.	Dongguan K Laser	Subsidiary vs. subsidiary	Sales	416,597	—	10
2	International	K Laser Korea	Subsidiary vs. subsidiary	Accounts receivable	USD 226	—	-
2	International	K Laser Korea	Subsidiary vs. subsidiary	Sales	USD 573	—	-
3	Top Band	Dongguan K Laser	Subsidiary vs. subsidiary	Accounts payable	RMB 5,933	—	-
3	Top Band	Dongguan K Laser	Subsidiary vs. subsidiary	Purchases	RMB 31,925	—	4
4	Dongguan K Laser	Wuxi K Laser	Subsidiary vs. subsidiary	Sales	RMB 7,991	—	1
4	Dongguan K Laser	Wuxi K Laser	Subsidiary vs. subsidiary	Purchases	RMB 5,293	—	1
5	IWIN	Finity	Subsidiary vs. subsidiary	Technical Service Expenses	USD 480	—	-
6	K Laser China Group Holding	Dongguan K Laser	Subsidiary vs. subsidiary	Temporary receipts	RMB 9,900	—	1

Note 1: Information on transactions between parent company and subsidiaries should be specified in the number column. The numbers should be filled in as follows:

1. The Company is assigned the number 0.
2. Numbers are assigned to subsidiaries by types of companies starting from 1.

Note 2: The Company has the following 3 types of relationships with counterparties, including:

1. Parent company vs. subsidiary
2. Subsidiary vs. parent company
3. Subsidiary vs. subsidiary

Note 3: When calculating the ratio of a transaction to the consolidated revenue or total assets, if it is listed as a liability, it shall be calculated as the ratio of the balance at the end of the fiscal period to the total assets; if it is listed as a profit or loss, it shall be calculated as the ratio of the cumulative amount at the middle of the fiscal period to the consolidated revenue.

Note 4: Transactions listed in the table may be determined based on the principle of materiality.

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Independent Auditors' Report

The Board of Directors and Shareholders
K LASER Technology Inc.

We have audited the accompanying balance sheets of K LASER Technology Inc. as of December 31, 2015 and December 31, 2014, and the related statements of comprehensive income, changes in equity and statement of cash flows for the years ended December 31, 2015 and December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. As stated in Note 11 to the Company's fianancial statement, we did not audit the financial statements of certain associates and joint venture which statements are based solely on the reports of the other auidtors and it relates to the total assets amounted to NT$ 239,561 thousand and NT$ 207,679 thousand, representing 5.36% and 4.63% of the consolidated assets as of December 31, 2015 and 2014. Ther related share of profits of associates and joint venture under th equity method amounted to NT$ 33,586 thousand and NT$ 29,688 thousand for the years ended December 31, 2015 and 2014. The information regarding the above investees specified in Note 33 to the Company's financial statements were also audited by other certified public accountants rather than us.

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the parent company only financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the parent company only financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and other auditors' report provided a reasonable basis for our opinion.

In our opinion and based on our audit result and the auditors' report issued by other certified public accountants, the major aspects of the parent company only financial statements as stated in the first paragraph are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, sufficiently expressing the financial status of K LASER Technology Inc. as of December 31, 2015 and December 31, 2014, and the business result and cash flows for the years ended December 31, 2015 and December 31, 2014.

Schedules of Significant Account Items attached to the parent company only financial statements of K LASER Technology Inc. for the year ended December 31, 2015 is provided for further analysis, and was also audited by us pursuant to the auditing procedure indicated in the second paragraph. In our opinion, the major aspects of the Schedules are consistent with the information of the parent company only financial statements as stated in the first paragraph.

K LASER Technology Inc.
Parent Company Only Balance Sheet
December 31, 2015 and December 31, 2014

Unit: NTD in Thousands

Assets	December 31, 2015 Amount	%	December 31, 2014 Amount	%
Current Assets				
Cash and cash equivalents (Notes 4 & 6)	$ 145,643	3	$ 177,862	4
Financial assets at fair value through profit or loss – Current (Notes 4 & 7)	21,358	1	210	-
Notes receivable (Notes 4 & 8)	4,083	-	16,292	-
Accounts receivable (Notes 4 & 8)	26,103	1	20,460	-
Receivables from related parties (Notes 4, 8 & 27)	68,389	2	75,679	2
Other receivables	8,282	-	8,899	-
Inventories (Notes 4 & 9)	20,088	-	27,590	1
Other current assets (Note 15)	2,516	-	5,782	-
Total current assets	296,462	7	332,774	7
Noncurrent Assets				
Financial assets carried at cost – Noncurrent (Notes 4 & 10)	60,055	1	45,055	1
Investments accounted for using equity method (Notes 4 & 11)	3,713,488	83	3,722,804	83
Property, plant and equipment (Notes 4 & 12)	211,856	5	183,466	4
Investment property net (Notes 4 & 13)	54,195	1	52,878	1
Other intangible assets (Notes 4 & 14)	482	-	834	-
Deferred income tax assets (Note 22)	28,300	1	30,550	1
Other noncurrent assets (Note 15)	102,230	2	116,471	3
Total noncurrent assets	4,170,606	93	4,152,058	93
Total Assets	$ 4,467,068	100	$ 4,484,832	100
Liabilities and Equity				
Current Liabilities				
Short-term loans (Note 16)	$ 180,000	4	$ 90,000	2
Short-term notes and bills payable (Note 16)	99,912	2	99,973	2
Financial liabilities at fair value through profit or loss - Current (Notes 4 & 7)	6,410	-	-	-
Notes payable	12,958	1	23,885	1
Accounts payable	9,076	-	12,699	-
Accounts payable – Related parties (Note 27)	38,255	1	35,825	1
Other payables (Note 18)	51,275	1	51,632	1
Income tax liabilities for the year (Note 22)	2,364	-	9,959	-
Current portion of long-term liabilities (Note 16)	483,901	11	523,836	12
Other current liabilities	3,074	-	1,824	-
Total current liabilities	887,225	20	849,633	19
Noncurrent Liabilities				
Financial liabilities at fair value through profit or loss – Noncurrent (Notes 4 & 7)	-	-	3,860	-
Bonds payable (Notes 4 & 17)	-	-	475,195	11
Long-term loans (Note 16)	1,020,000	23	300,000	7
Net defined benefit liability (Notes 4 & 19)	16,233	-	13,010	-
Other liabilities – Others	942	-	942	-
Total noncurrent liabilities	1,037,175	23	793,007	18
Total Liabilities	1,924,400	43	1,642,640	37
Equity (Note 20)				
Capital stock				
Capital – common stock	1,324,665	30	1,741,665	39
Capital surplus	408,627	9	496,707	11
Retained earnings				
Appropriated as legal reserve	152,976	3	143,907	3
Appropriated as special capital reserve	162,918	4	162,918	4
Unappropriated earnings	408,801	9	409,230	9
Other equity				
Exchange differences on translation of foreign financial statements	84,681	2	131,780	3
Treasury stock	-	-	(244,015)	(6)
Total equity	2,542,668	57	2,842,192	63
Total Liabilities and Equity	$ 4,467,068	100	$ 4,484,832	100

The accompanying notes are an integral part of the parent company only financial statements.
(Please see the auditors' report issued on Mar. 10, 2016 by Deloitte & Touche.)

Chairman: Kuo Wei-Wu　　Manager: Chen Hao-Kai　　Accounting Supervisor: Hung Ya-Ching

K LASER Technology Inc.
Parent Company Only Income Statement
January 1 to December 31, 2015 and 2014

(NTD in Thousands, Except Earnings Per Share)

	2015		2014	
	Amount	%	Amount	%
Revenue	$508,628	100	$551,732	100
Cost of sales	421,491	83	437,312	79
Gross profit	87,137	17	114,420	21
Realized gross profit (loss) on sales	5,262	1	5,856	1
Gross profit, net	92,399	18	120,276	22
Operating expenses				
Marketing	25,858	5	26,264	5
General and administrative	51,741	10	59,719	11
Research and development	42,624	9	60,926	11
Total operating expenses	120,223	24	146,909	27
Income from operations	(27,824)	(6)	(26,633)	(5)
Non-operating income and expenses				
Net profit(loss) from associates and joint ventures accounted by equity method	210,631	41	139,343	25
Interest income	685	-	459	-
Other incomes－Others	21,847	4	27,675	5
Gain (loss) on disposal of property, plant and equipment	1,011	-	(9,798)	(2)
Foreign exchange gain	2,240	1	8,856	2
Valuation gain(loss) on financial assets and liability, net	(2,967)	-	1,523	-

(Carried forward)

(Brought forward)

	2015		2014	
	Amount	%	Amount	%
Interest expenses	(27,303)	(5)	(25,461)	(4)
Miscellaneous expenses	(9,143)	(2)	(13,221)	(2)
Disposal of investment gain	1,063	-	1,052	-
Total non-operating income and expenses	198,064	39	130,428	24
Income before income tax	170,240	33	103,795	19
Income tax expenses (Note 22)	(5,894)	(1)	(13,105)	(3)
Net income for the year	164,346	32	90,690	16
Other comprehensive income (loss)				
Items that will not be reclassified subsequently to profit or loss:				
Actuarial loss of defined benefit obligation	(3,307)	(1)	(2,482)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign financial statements	(47,099)	(9)	123,455	22
Total other comprehensive income (loss)	(50,406)	(10)	120,973	22
Total comprehensive income for the year	$113,940	22	$211,663	38
Earnings per share (Note 23)				
From continuing operations				
Basic	$ 1.12		$ 0.56	
Diluted	$ 0.96		$ 0.48	

The accompanying notes are an integral part of the parent company only financial statements.
(Please see the auditors' report issued on Mar. 10, 2016 by Deloitte & Touche.)

K LASER Technology Inc.
Parent Company Only Statement of Changes in Shareholders' Equity
January 1 to December 31, 2015 and 2014

Unit: NTD in Thousands

	Capital – common stock	Capital surplus	Retained earnings: Appropriated as legal reserve	Retained earnings: Appropriated as special capital reserve	Retained earnings: Unappropriated earnings	Foreign currency translation reserve	Treasury stock transaction	Total equity
Balance, January 1, 2014	$ 1,674,492	$ 452,032	$ 121,122	$ 162,977	$ 478,166	$ 8,325	($ 92,522)	$ 2,804,592
Appropriation and distribution of earnings in 2013								
Appropriated legal reserve	-	-	22,785	-	(22,785)	-	-	-
Cash dividends to shareholders	-	-	-	-	(104,923)	-	-	(104,923)
Adjustment from differences between purchase price and carrying amount arising from acquisition or disposal of subsidiaries (Note 11)	-	51,523	-	(59)	59	-	-	51,523
Equity recognized from issuance of convertible bond	-	16,000	-	-	-	-	-	16,000
Adjustments of changes in associates and joint venture in equity method	-	217	-	-	-	-	-	217
Net income in 2015	-	-	-	-	90,690	-	-	90,690
Other comprehensive income (loss) in 2014	-	-	-	-	(2,482)	123,455	-	120,973
Conversion of convertible bonds	147,173	4,871	-	-	-	-	-	152,044
Purchase of treasury stock	-	-	-	-	-	-	(288,924)	(288,924)
Cancellation of treasury stock	(80,000)	(27,936)	-	-	(29,495)	-	137,431	-
Balance, December 31, 2014	1,741,665	496,707	143,907	162,918	409,230	131,780	(244,015)	2,842,192
Appropriation and distribution of earnings in 2014								
Legal reserve	-	-	9,069	-	(9,069)	-	-	-
Cash dividends to shareholders	-	-	-	-	(55,008)	-	-	(55,008)
Adjusment from differences between purchase price and carrying amount arising from acquisition or disposal of subsidiaries (Note 11)	-	5,131	-	-	-	-	-	5,131
Net income in 2015	-	-	-	-	164,346	-	-	164,346
Other comprehensive income (loss) in 2015	-	-	-	-	(3,307)	(47,099)	-	(50,406)
Purchase of treasury stock	-	-	-	-	-	-	(363,587)	(363,587)
Cancellation of treasury stock	(417,000)	(93,211)	-	-	(97,391)	-	607,602	-
Balance, December 31, 2015	$ 1,324,665	$ 408,627	$ 152,976	$ 162,918	$ 408,801	$ 84,681	$ -	$ 2,542,668

The accompanying notes are an integral part of the parent company only financial statements.
(Please see the auditors' report issued on Mar. 10, 2016 by Deloitte & Touche.)

K LASER Technology Inc.
Parent Company Only Statements of Cash Flows
January 1 to December 31, 2015 and 2014

Unit: NTD in Thousands

	2015	2014
Cash flows from operating activities		
Income before income tax	$ 170,240	$ 103,795
Incomes and expenses not influencing cash flows:		
Depreciation expense	24,516	23,897
Amortization expense	462	479
Bad debt expense	233	-
Net loss (gain) on financial assets and liabilities measured at fair value through profit or loss	2,967	(1,523)
Interest expenses	27,303	25,461
Interest income	(685)	(459)
Loss (gain) on disposal and obsolescence of property, plant and equipment	(1,011)	9,798
Gain on disposal of investment	(1,063)	(1,052)
Realized sales income among associates	(5,262)	(5,856)
Share of profits of associates and joint ventures evaluated with equity method	(210,631)	(139,343)
Changes in operating assets and liabilities:		
Decrease (increase) in notes receivable	12,209	(8,860)
Decrease (increase) in accounts receivable	(5,876)	10,518
Decrease (increase) in accounts receivable－Related parties	7,290	(21,623)
Decrease (increase) in other receivables	617	(1,449)
Decrease (increase) in inventories	7,502	(4,753)
Decrease (increase) in other current assets	3,266	(3,503)
Decrease (increase) in other noncurrent assets	(2,140)	958
Increase (decrease) in notes payable	(10,927)	5,983
Increase (decrease) in accounts payable	(3,623)	1,923
Increase in accounts payable－Related parties	2,430	8,746
Increase (decrease) in other payables	(7,120)	2,142
Increase in other current liabilities	1,250	362
Decrease in accrued pension liabilities	(84)	(12,177)
Cash generated by (used in) operating activities	11,863	(6,536)
Received interest	685	459
Paid interest	(17,713)	(23,048)
Paid income interest	(11,239)	(147)

(Carried forward)

(Brought forward)

	2015	2014
Net cash used by operating activities	(16,404)	(29,272)
Cash flows from investing activities		
Acquisition of the financial assets measured at fair value through profit or loss that are designated when such assets are recognized	(43,469)	(195,310)
Disposal of the financial assets measured at fair value through profit or loss that are designated when such assets are recognized	22,967	246,719
Acquisition of financial assets carried at cost	(15,000)	(15,000)
Acquisition of long-term stock right investment evaluated with equity method	(22,160)	(17,553)
Disposal of long-term equity investments measured with equity method	-	26,090
Returned capital of investees due to capital decrease with equity method	115,146	-
Acquisition of property, plant and equipment	(47,615)	(13,888)
Disposal of property, plant and equipment	653	4,081
Decrease in refundable deposits	11,092	880
Decrease (increase) in restricted assets	4,500	(29,053)
Received dividends from subsidiaries and associates	90,612	106,004
Acquisition of intangible assets	(110)	(850)
Net cash generated in investing activities	116,616	112,120
Cash flows from financing activities		
Increase (decrease) in short-term loans	90,000	(30,000)
Increase in short-term notes and bills payable	-	100,000
Issuance of convertible bonds	-	495,000
Increase in long-term loans	720,000	275,000
Repayment of long-term loans	(523,836)	(551,164)
Dividends paid	(55,008)	(104,923)
Purchase of treasury stock	(363,587)	(288,924)
Net cash used in financing activities	(132,431)	(105,011)
Decrease in cash and cash equivalents for the year	(32,219)	(22,163)
Cash and cash equivalents, beginning of year	177,862	200,025
Cash and cash equivalents, end of year	$ 145,643	$ 177,862

The accompanying notes are an integral part of the parent company only financial statements.
(Please see the auditors' report issued on Mar. 10, 2016 by Deloitte & Touche.)

K LASER Technology Inc.
Notes to Parent company only financial statements
January 1 to December 31, 2015 and 2014
(Amounts NTD in Thousands, unless specified otherwise)

I. General

K LASER Technology Inc. (hereinafter referred to as the Company), which was incorporated in April 1988 in Hsinchu Science-based Industrial Park, engages mainly in research, development, production, manufacturing and sale of materials and equipment specifically used for holography products and embossing holography products, optical coating and import and export of various products relevant to the above items.

The shares of the company were traded in the Taipei Exchange on December 9, 1999 and listed on the Taiwan Stock Exchange on September 17, 2001.

The accompanying consolidated financial statements are expressed in terms of the functional currency of the Company.

II. Authorization of Financial Statements

The parent company only financial statements were approved by the board of directors on March 10, 2106.

III. Application of New and Revised International Financial Reporting Standards

(I) Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of International Financial Reporting Standards (IFRIC), and Interpretations of IAS (SIC) endorsed by the Financial Supervisory Commission:

According to the Rule No. 1030029342 and Rule No. 1030010325 issued by Financial Supervisory Commission (hereinafter referred to as FSC), the 2013 IFRS, IAS, IFRIC and SIC (hereinafter referred to as IFRSs) versions issued by International Accounting Standards Board (IASB) and endorsed by FSC and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers should be adopted by the Company starting 2015.

Except as otherwise specified below, as a result of the adoption of the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 2013 IFRSs version, the following items would not have any material impact on the accounting policies of the Company:

1. IFRS 12 “Disclosure of Interests in Other Entities”:

IFRS 12 is applicable to entities that have interests in subsidiaries, joint arrangements or associates and to structured entities that are not included in parent company only financial statements.

2. Amendments to IAS 28 “Investments in Associates and Joint Ventures”:

According to the amendments to the standard, the Company is required to recognize the associates classified to have satisfied the held-for-sale conditions as associates held for sale, and use equity method continuously to measure stock rights not classified as stock rights held for sale. Prior to adoption of the amendments, when an associate satisfies the held-for-sale conditions, the Company shall recognize the associate immediately and stop using equity method to measure the associate.

3. IFRS 13 “Fair Value Measurement”:

IFRS 13 establishes a single source of guidance for fair value measurement. It defines fair value, establishes a framework for measuring fair value and requires disclosure about fair value measurements. The disclosure requirements in IFRS 13 are more extensive than those required in the past standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy previously required for financial instruments only are extended by IFRS 13 to cover all assets and liabilities within its scope.

The measurement requirements of IFRS 13 have been applied prospectively from 2015.

4. Amendments to IAS 1 ”Presentation of Items of Other Comprehensive Income”:

According to the amendments to IAS 1, the items of other comprehensive income are grouped into two categories: (1) items that may not be reclassified subsequently to profit or loss, and (2) items that may be reclassified subsequently to profit or loss when specific conditions are met. In addition, income tax on items of other comprehensive income is also required to be allocated on the same basis. Prior to adoption of the amendments, there was no mandatory regulation requiring the aforementioned grouping.

The Company applied the aforementioned amendments retroactively in 2015. The items that may not be reclassified subsequently to profit or loss include remeasurement of defined benefit obligation, and the share of actuarial gains or losses of associates evaluated with equity method. Items that may be reclassified subsequently to profit or loss include exchange differences on translation of foreign financial statements, and the share of other comprehensive income of associates and joint venture (except the share of the remeasurement of defined benefit obligation). Implementation of the aforementioned amendments did not influence net income, other comprehensive income or loss after tax, or comprehensive profit or loss for the year.

5. IAS 19 “Employee Benefits”:

The amendments to IAS 19 require to recognize the changes in defined benefit obligation and the changes in fair value of plan assets when they incur. In addition, the amendments eliminate the accounting treatment of corridor approach and facilitate recognition of the past service cost. All remeasurement of defined benefit obligation is required to be recognized immediately through other comprehensive income in order to have net pension assets or liabilities that have been recognized reflect overall value of plans in terms of deficiency or surplus.

Furthermore, net interest replaces expected reward of interest cost and plan assets applied prior to adoption of the amendments and net defined benefit liability (asset) multiplied by discount rate is used to determine net interest. The amendments to IAS 19 not only change the way of expressing defined benefit cost, but also require more disclosures.

6. Amendments to IFRS 7 “Disclosure－Offsetting Financial Assets and Financial Liabilities”:

The amendment’s new offsetting disclosures include financial instruments that are subject to an enforceable master netting agreement or similar agreement (e.g. agreement to provide collateral).

7. Amendments to IAS 32 “Offsetting Financial Assets and Financial Liabilities”:

The amendments specify that a financial asset and a financial liability should be offset only when the entity "has a legally enforceable right to set off the amounts" and "intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously."

8. "Annual Improvements to 2009–2011 Cycle":

Annual Improvements to 2009–2011 Cycle amend IFRS 1 "First-time Adoption of IFRSs", IAS 1 "Presentation of Financial Statements", IAS 16 "Property, Plant and Equipment", IAS 32 "Financial Instruments: Presentation" and IAS 34 "Interim Financial Reporting".

The amendments to IAS 1 specify that when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements, it must also present a statement of financial position (balance sheet) as at the beginning of the earliest comparative period. Hence, the Company must present a balance sheet of the beginning of the previous reporting period, but is not required to present the footnotes.

The amendments to IAS 16 clarify that any and all spare parts, spare equipment and maintenance equipment defined as property, plant and equipment shall be recognized in accordance with IAS 16. Items not meeting such definition shall be recognized as inventories.

The amendments to IAS 32 specify that income tax on transaction cost for owners' and e1quity transactions shall be dealt with in accordance with IAS 12 "Income Taxes."

The amendments to IAS 34 specify that if total segment liabilities are regularly provided to the chief operating decision maker of the Company, and there was a significant change to the amount disclosed in the financial statement of the previous reporting period, the amount shall be disclosed in the interim financial report.

9. Recognition and measurement of financial liabilities at fair value through profit or loss:

The amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers specify that the changes in fair value of financial liabilities at fair value through profit or loss generated due to change of credit risk shall be recognized in other comprehensive income or loss, and will not be reclassified to profit or loss. Remaining changes in fair value of such liabilities are recognized in profit or loss. If the aforementioned accounting treatment triggers or aggravate accounting mismatch, all profits and losses of such liabilities are recognized in profit or loss for the year.

(II) The IFRSs issued by IASB but not endorsed by FSC

The Company has not applied the following IFRSs issued by the IASB but not endorsed by FSC. FSC announced on March 10, 2016 that the IFRSs to be applied from 2017 comprise the IFRSs announced by IASB before January 1, 2016 and being effective on January 1, 2017 (not including IFRS 9 "Financial Instruments", IFRS 15 "Revenue from Contracts with Customers" and other IFRSs that have not become effective or do not have a date of effectiveness.) Besides, FSC also announced that all listed companies in the R.O.C. should start applying IFRS 15 from 2018. As of the date that the parent company only financial statements were authorized for issue, the initial adoption to the following new, amended or revised standards and interpretations, except those mentioned above, is still subject to the effective date to be published by FSC.

New, Amended or Revised Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014

New, Amended or Revised Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date and Transition Disclosure”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	Effective date to be determined
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendments to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendments to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendments to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendments to IAS 36 “Recoverable Amount Disclosures for Non-Financial Assets”	January 1, 2014
Amendments to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

Note 1: The aforementioned new, amended or revised standards or interpretations are effective after fiscal year beginning on or after the effective dates, unless specified otherwise.

Note 2: Amendments to IFRS 2 are applied immediately to the share-based payment transactions with a grant date after July 1, 2014. Amendments to IFRS 3 are applied immediately to the business mergers with an acquisition date after July 1, 2014. IFRS 13 comes into effect upon amendment. The remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendments to IFRS 5 are applied prospectively on or after January 1, 2016. The remaining amendments are effective for annual periods beginning on or after January 1, 2016.

Except for the following, the application of the above new, amended or revised standards or interpretations has not had any material impact on the accounting policies of the Company:

1. IFRS 9 “Financial Instruments”

   Recognition and Measurement of Financial Instruments

All recognized financial assets currently in the scope of IAS 39, "Financial Instruments: Recognition and Measurement," will be subsequently measured at either the amortized cost or the fair value. The classification and measurement requirements in IFRS 9 are stated as follows:

For the debt instruments invested by the Company, if the contractual cash flows that are solely for payments of principal and interest on the principal amount outstanding, the classification and measurement requirements are stated as follows:

(1) If the objective of the Company's business models is to hold the financial assets to collect the contractual cash flows, such assets are measured at the amortized cost. Interest revenue should be recognized in profit or loss by using the effective interest method and continuously assessed for impairment, and the impairment loss or reversal of impairment loss should be recognized in profit and loss.

(2) If the objective of the Company's business models is to hold the financial assets both to collect the contractual cash flows and to sell the financial assets, such assets are measured at fair value through other comprehensive income and are continuously assessed for impairment. Interest revenue should be recognized in profit or loss by using the effective interest method. A gain or loss on a financial asset measured at fair value through other comprehensive income should be recognized in other comprehensive income except for impairment gains or losses and foreign exchange gains and losses. When such financial assets are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

The other financial assets which do not meet the aforementioned criteria should be measured at the fair value through profit or loss. However, the Company may irrevocably designate an investment in equity instruments that is not held for trading as measured at fair value through other comprehensive income. All relevant gains and losses on such financial assets shall be recognized in other comprehensive income, except for dividends which are recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

<u>Impairment of Financial Assets</u>

IFRS 9 adds a new expected loss impairment model to measure the impairment of financial assets. A loss allowance for expected credit losses should be recognized on financial assets measured at amortized cost, financial assets mandatorily measured at fair value through other comprehensive income, rents receivable, contractual assets or loan commitment generated from IFRS 15 "Revenue from Contracts with Customers" and financial guarantee contracts. If the credit risk on a financial instrument has not increased significantly since initial recognition, the Company should measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. If the credit risk on a financial instrument has increased significantly since initial recognition and is not deemed to be a low credit risk, the Company should measure the loss allowance for that financial instrument at an amount equal to the lifetime expected credit losses. The Company should always measure the loss allowance at an amount equal to lifetime expected credit losses for the accounts receivables that do not contain significant financial components.

Furthermore, when recognizing originated credit impaired financial assets, the Company calculates the effective interest rate after changes to credit rating based on expected credit loss. Expected credit losses are measured through a loss allowance at an amount equal to full lifetime expected credit losses.

2. Amendments to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"

When IASB announced IFRS 13 "Fair Value Measurement", it also amended disclosure requirements provided in IAS 36 "Impairment of Assets", making the Company be forced to disclose the recoverable amount in terms of assets or cash for each reporting period. The amendments to IAS 36 clarify that the Company only needs to disclose the recoverable amount in the period that impairment loss is recognized or reversed. Furthermore, if the recoverable amount is determined on the basis of fair value less costs of disposal using a present value technique, then the Company must disclose the discount rate.

3. IFRIC 21 "Levies"

IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are contingent liabilities and those where the timing and amount of the levy is certain. The Company shall recognize a liability when the transaction or activity that triggers the payment of the levies occurs. Therefore, the liability is recognized progressively if the obligating event occurs over a period of time (e.g. accompanying revenue). If an obligation is triggered on reaching a minimum threshold (e.g. specific amount of revenue), the liability is recognized when that minimum threshold is reached.

4. Annual Improvements to 2010-2012 Cycle

Annual Improvements to 2010-2012 Cycle amend IFRS 2 "Share-based Payment", IFRS 3 "Business Combinations" and IFRS 8 Operating Segments.

The amendments to IFRS 2 amend the definitions of vesting condition and market condition, and add definitions for performance condition and service condition. They clarify that performance goals set under the performance condition may use the market price (market condition) of operations (non-market condition) or equity instruments of the Company or another entity within the same group. The performance goals that are set may be related to the overall or partial (e.g. a specific department) performance of the Company, but the period for reaching performance goals may not be longer than the service period. Furthermore, the amendments clarify that stock price index goal is not a performance condition because it reflects on the performance of the Company and other enterprises.

The amendments to IFRS 3 clarify contingent consideration of business combination. It shall be measured at fair value whether IAS 39 or IFRS 9 is applicable, and changes in fair value are recognized in profit or loss.

The amendments to IFRS 8 clarify that if the Company aggregates operating segments that have similar economic characteristics for disclosure, it shall disclose judgments made by management in applying the aggregation criteria to allow two or more operating segments to be aggregated. Furthermore, the amendments also clarify that the Company only needs to disclose reconciliations of total segment assets to its total assets when regularly providing the information to the chief operating decision maker.

The amendments to IFRS 13 clarify that after adoption of IFRS 13, if discounting has no significant impact on the short-term receivables and payables for which no interest rate is set, they may be carried at the amount of the original invoice.

The amendments to IAS 24 "Related Party Disclosures" clarify that an entity providing key management personnel services to the Company is a related party of the Company, and the amount paid or payable for the key management personnel services provided by the entity shall be disclosed. However, disclosure of the compensation paid or payable by the management entity to the management entity's employees or directors is not required.

5. Annual Improvements to 2011-2013 Cycle

Annual Improvements to 2011-2013 Cycle amend IFRS 3, IFRS 13 and IAS 40 “Investment Property”.

The amendments to IFRS 3 clarify that IFRS 3 is not applicable to accounting treatment regarding establishment of a joint agreement in the financial statements.

The amendments to IFRS 13 clarify that the scope of exceptions to financial assets and financial liabilities permitted to be measured on a net basis (i.e. “portfolio exceptions”) includes contracts accounted for within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 “Financial Instruments: Representation.”

The amendments to IAS 40 clarify that the Company is required to determine based on IAS 40 and IFRS 3 whether an acquired investment property is attributed to acquired assets or business combinations.

6. Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”

An enterprise has to use proper depreciation and amortization methods to inflect expected manner of depletion of future economic benefits of property, plant and equipment and intangible assets.

According to the amendments to IAS 16 “Property, Plant and Equipment,” income is not a proper basis to measure depreciation expenses of property, plant and equipment. No exception is provided in such amendments to allow depreciation expenses to be allocated based on income.

The amendments to IAS 38 “Intangible Assets” specify that income is not the appropriate basis to measure amortization expense of intangible assets, except for the following finite situations:

(1) Intangible assets are represented through measured income. (For example, a specific threshold is specified in the contract, and the intangible assets cannot be used after income has reached the threshold.)
(2) It has been proved that income highly correlates with levels of depletion of economic effects of intangible assets.

7. IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations.

When applying IFRS 15, the Company shall recognize revenue by applying the following steps:

(1) Identify the contract with the customer;
(2) Identify the performance obligations in the contract;
(3) Determine the transaction price;
(4) Allocate the transaction price to the performance obligations in the contracts; and
(5) Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 is effective, the Company may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

8. Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

According to the amendments, if the Company sells or invests assets to or in an associate or lose their control over a subsidiary in a transaction with an associate, but still maintain great influence on the subsidiary, the Company shall recognize all profits or losses of the transaction when the above assets or subsidiary meet the definition provided for “business” in IFRS 3.

In addition, in case the Company sells or invests assets to or in an associate or lose their control over a subsidiary in a transaction with an associate, but still maintain great influence on the subsidiary, the Company shall recognize profits or losses of the transaction only within the range of the equity of the associate irrelevant to investors if the above assets or subsidiary fail to meet the definition provided for "business" in IFRS 3. In other words, the share of profits or losses attributable to the Company has to be eliminated.

9. Annual Improvements to 2012-2014 Cycle

    Annual Improvements to 2012-2014 Cycle amend IFRS 5 "Noncurrent Assets Held for Sale and Discontinued Operations", IFRS 7, IAS 19 and IAS 34. The amendment to IFRS 5 reclassifies noncurrent assets (or disposal groups) that are "held-for-sale" and "held for distribution to owners," and does not change plans to sell or distribute to owners. Hence, there is no need to change the accounting treatment for classifications. Furthermore, when noncurrent assets "held for distribution to owners" no longer meet the conditions for distribution (and also do not meet the conditions for sale), the noncurrent assets shall be treated the same as when an asset no longer qualifies for held-for-sale.

10. IFRS 16 "Leases"

    IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 "Leases" and a number of related interpretations.

    Under IFRS 16, if any of the Company is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Company may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the parent company only income statement, the Company should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the parent company only statement of cash flows, cash payments for both the principal and interest portion of the lease liability are classified within financing activities.

    Accounting treatment for the Company as the lessor results in no significant influence.

    When IFRS 16 becomes effective, the Company may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

11. Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"

    The amendments to IAS 12 mainly clarify that regardless of whether the Company intends to collect return on debt instruments measured at fair value through sale or contractual cash flow, temporary difference should be the difference between the asset measured at fair value and measured at cost for tax purposes, regardless of whether or not there is unrealized loss on the debt instruments.

    Furthermore, unless tax law restricts the types of deductible income of deductible temporary differences, similar deductible temporary differences should be evaluated as to whether or not they are listed as deferred income tax assets, otherwise all deductible temporary differences should be evaluated as a whole. When evaluating whether or not to recognize deferred income tax assets, if there is enough evidence that shows the Company will very likely recover the asset at an amount higher than book value, then the carrying amount of the asset during recovery is not limited to its book value when estimating future taxable income, which should exclude the tax effects of deductible temporary differences.

Except for the aforementioned impact, as of the date that the accompanying parent company only financial statements were authorized for issue, the Company continues in evaluating the impact on its financial position and financial performance as a result of the initial adoption of the other standards or interpretations. The related impact will be disclosed when the Company completes the evaluation.

IV. <u>Summary of Significant Accounting Policies</u>

The financial statement of the Company have been prepared in Chinese. These financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language financial statements, the Chinese version shall prevail.

(I) Statement of Compliance

The accompanying parent company only financial statements have prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(II) Basis of Preparation

The accompanying parent company only financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values.

Relevant inputs used to measure fair value are classified as level 1 to level 3 based on observables and significance of such inputs:

1. Lever 1 inputs: Such inputs refer to the prices (not adjusted) of identical assets or liabilities available in an active market at the date of measurement.
2. Lever 2 inputs: They refer to the inputs observable directly (i.e. prices) or indirectly (i.e. results inferred from prices) for the assets or liabilities, except level 1 prices.
3. Lever 3 inputs: They refer to the inputs unobservable for the assets or liabilities.

When preparing the parent company only financial statements, the Company accounts for subsidiaries and associates by using the equity method. In order to agree with the amount of net income, other comprehensive incomes and equity attributable to shareholders of the parent in the consolidated financial statements, no difference of the accounting treatment between the parent company only basis and the consolidated basis is adjusted. The Company uses equity method to measure investees and associates in preparation of the parent company only financial statements.

(III) Classification of Current and Noncurrent Assets and Liabilities

Current assets include:

1. Assets held for trading purposes;
2. Assets expected to be realized within 12 months from the date of balance sheet; and
3. Cash and cash equivalents (exclusive of those restricted for the purpose of exchange or repayment of liabilities after 12 months from the date of balance sheet).

Current liabilities include:

1. Liabilities held for trading purposes;
2. Liabilities expected to be settled within 12 months from the date of balance sheet; and
3. Liabilities of which the settlement deadline is not permitted to be extended unconditionally to any day beyond 12 months from the date of balance sheet; the classification is not influenced if liabilities are repaid by equity instruments issued at the counterparty’s option in compliance with the terms and conditions of the liabilities.

Items attributed to neither abovementioned current assets nor abovementioned current liabilities are classified as noncurrent assets or noncurrent liabilities.

(IV) Foreign Currencies

In preparing the financial statements of each individual consolidated entity, transactions in currencies other than the entity’s functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

Monetary items in foreign currency are converted at the closing rate at the balance sheet date. Exchange differences generated from settlement or conversion of monetary items are recognized in profit or loss for the year.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in foreign currencies and translated at the rates of exchange prevailing at the dates of the transactions are not retranslated.

For the purposes of presenting parent company only financial statements, the assets and liabilities of the Company's foreign operations (including the Company's subsidiaries and associates that use any currency different from that used by the Company or that operate in any nation different from the nation where the Company operates) are translated into New Taiwan dollars using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income.

(V) Inventories

Inventories include raw materials, materials, finished goods and work in process. Inventories are measured at the lower of cost or net realizable value. Comparison of cost and net realizable value is made on an individual basis, except for inventories in the same category. Net realizable value represents the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventory cost is calculated with weighted average method.

(VI) Investments Measured with Equity Method

The Company uses equity method to measure its investments in subsidiaries and associates.

1. Investment in Subsidiaries

A subsidiary refers to an entity controlled by the Company.

Under the equity method, investments are initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiary as well as the distribution received. The Company also recognizes its share in the changes in equity of the subsidiary.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amount of investment and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of loss on a subsidiary equals or exceeds its interests in the subsidiary (including the carrying amount of the subsidiary carried with equity method, and other long-term interests comprising net investment in the subsidiary by the Company), further losses are recognized continuously in consistence with the percent of existing ownership percentage.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and shall not be amortized. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognized immediately in profit or loss.

When assessing impairment, the Company considers cash-generating units based on the financial statements and compares recoverable amounts with carrying amounts. If recoverable amounts of assets increase, reversed impairment loss will be recognized as gains. However, the carrying amount of assets after reversal of impairment shall not exceed the carrying amount loss less amortization before impairment loss is not recognized. Impairment loss attributed to goodwill shall not be reversed afterwards.

When losing its control over a subsidiary, the Company measures the rest of its investment in the past subsidiary at fair value on the day when the control is lost. The difference between fair value of the remaining investment and any gain on disposal and the carrying amount on the day when the control is lost is recognized in profit or loss for the year. Furthermore, accounting treatment of all amounts recognized in other comprehensive incomes with respect to that subsidiary is consistent with the basis required for direct disposal of relevant assets or liabilities.

When the Company transacts with a subsidiary, unrealized profits and losses resulting from the upstream transactions with the subsidiary are eliminated in the parent company only financial statements. Profits and losses resulting from the downstream and sidestream transactions with the subsidiary are recognized in the parent company only financial statements only to the extent of interests in the subsidiary that are not owned by the Company.

2. Investment in Associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor a joint venture.

Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Company’s share of profit or loss and other comprehensive income of the associate as well as the distribution received. The Company also recognizes their share in the changes in equity of the associate.

Any excess of the cost of acquisition over the Company’s share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and shall not be amortized. Any excess of the Company’s share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognized immediately in profit or loss.

If the Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company’s proportionate interest in the net assets of the associate. The Company records such a difference as an adjustment to capital surplus (with respect to changes in net stock rights of the associate or joint venture recognized with the equity method) and to investments recognized with the equity method. If the Company’s ownership interest is reduced due to the additional subscription to the shares of the associate or joint venture by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate shall be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities. If capital surplus is debited for the aforementioned adjustment and the balance of capital surplus generated from the investments measured with equity method is insufficient, then retained earnings are debited for such difference.

When the Company’ share of loss on an associate equals or exceeds its interests in the associate (including the carrying amount of the associate carried with equity method, and other long-term interests comprising net investment in the associate by the Company), further losses are not recognized any more. The

Company recognizes additional losses and liabilities only when legal or constructive obligation occurs or when paying for the associate.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company ceases using equity method on the date when associates are not their investments. After that, retained interests in the associates are measured at fair value. The fair value of retained interests and the difference between the gains on disposal and the carrying amount of the investments on the date when the Company ceases using equity method are recognized in profit or loss for the year. The proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to the associate shall be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities. If the investment in an associate becomes the investment in a joint venture, or the investment in a joint venture becomes the investment in an associate, the Company will adopts equity method continuously and will not remeasure retained interest.

When the Company transacts with an associate, profits and losses resulting from the upstream, downstream and sidestream transactions with the associate are recognized in the Company's parent company only financial statements only to the extent of interests in the associate that are not owned by the Company.

(VII) Property, Plant and Equipment

Properties, plants and equipment are stated at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment.

Each significant property, plant and equipment is depreciated singly over its expected useful life with the straight-line method. However, when the lease term of such asset is shorter than its expected useful life, it is depreciated over the lease term. The Company reviews the estimated useful lives, residual values and depreciation method at least at the end of each fiscal year, with the effect of any changes in estimates accounted for on a prospective basis.

The difference between the sales proceeds and the carrying amount of an item of property, plant and equipment upon its disposal or retirement is recognized in profit or loss.

(VIII) Investment Property

Investment property refers to real estate possessed for earning rents or/and increasing capital in value.

Investment property is initially carried at cost (including transaction cost) and subsequently measured at cost less accumulated depreciation and accumulated impairment loss. The Company uses the straight-line method to allocate depreciation.

When investment property is derecognized, the difference between the net gain on disposal and the carrying amount of the asset is recognized in profit or loss.

(IX) Intangible Assets

1. Separate acquisition

Separately acquired intangible assets with finite useful lives are carried at cost and measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized using the straight-line method over the estimated useful lives of the intangible assets. The estimated useful lives, residual values and depreciation method are at least reviewed at the end of each fiscal year, with the effect of any changes in estimates accounted for on a prospective basis. Intangible assets with uncertain useful lives are stated at cost less accumulated impairment losses.

2. Derecognition

When an intangible asset is derecognized, the difference between the net gain on disposal and the carrying amount of the asset is recognized in profit or loss for the year.

(X) Impairment of Tangible and Intangible Assets

The Company reviews the carrying amounts of its tangible and intangible assets at the balance sheet date to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

For the intangible assets of which the useful lives are uncertain and which are not available to be used, the review is conducted at least annually or when any indication of impairment loss exists.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset or a cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount (after deduction of amortization or depreciation) that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(XI) Financial Instruments

Financial assets and liabilities are recognized in the parent company only balance sheet when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and liabilities are initially recognized at fair values. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, other than financial assets and financial liabilities at fair value through profit or loss, are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition or issue of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1. Financial Assets

When financial assets are purchased or sold by convention, derivatives are dealt with based on settlement accounting, and all the other financial assets are dealt with based on trade accounting.

(1) Measurement type

Financial assets held by the Company include financial assets at fair value through profit or loss, and loans and accounts receivable.

A. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading purposes and financial assets at fair value through profit or loss. The aforementioned financial assets are measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

If financial assets at fair value through profit or loss are equity instrument investments without open quotation in an active market and the fair value of such financial assets cannot be measured in a reliable way, or are derivative instruments linked to these unquoted equity instruments and requiring payment of equity instruments transactions, then such financial assets shall be carried at the cost subtracting the impairment loss and listed as financial assets carried at cost. When the fair value of the financial assets can be measured in a reliable way, the financial assets will be carried at the fair value. The difference between the carrying amount and the fair value is listed in profit or loss.

B. Loans and receivables

Loans and receivables (including accounts receivable, cash and cash equivalents, etc.) are measured at amortized cost using the effective interest method, less any impairment, except for those short-term accounts receivable with immaterial interest.

Cash equivalents, for the purpose of meeting short-term cash commitments, consist of highly liquid time deposits and investments that are readily convertible to known amounts of cash within 3 months from the date of acquisition and which are subject to an insignificant risk of changes in value.

(2) Impairment of financial assets

Financial assets, other than financial assets at fair value through profit or loss, are assessed by the Company for indicators of impairment at the balance sheet date. Those financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, their estimated future cash flows have been affected.

For financial assets carried at amortized cost, such as accounts receivable, assets that are assessed not to be impaired as there is no objective evidence of impairment are, in addition, assessed for impairment on a collective basis.

For financial assets carried at amortized cost, the amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss, directly or by adjustment of the allowance amount, to the extent that the carrying amount of the financial assets at the date the impairment loss is reversed does not exceed what the amortized cost would have been had the impairment loss not been recognized.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivables, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Except for the accounts receivable that are uncollectible and written off against the allowance account, changes in carrying amounts of the allowance account are recognized in profit or loss.

(3) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire, or when the Company transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset to another entity. On derecognition of a financial asset in its entirety, the difference between the financial asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

2. Equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Equity instruments retrieved by the Company are recognized and subtracted from equity. The Company's own equity instruments purchased, sold, issued or cancelled are not recognized in profit or loss.

3. Financial liabilities

(1) Subsequent measurement

Except for the following, all financial liabilities are measured at amortized cost using effective interest method:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial assets held for trading purposes and measured at fair value through profit and loss.

Financial liabilities held for trading purposes are measured at fair value through profit or loss, and any gains or losses arising on remeasurement are recognized in profit or loss.

(2) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable (including any transferred non-cash assets or assumed liabilities) is recognized in profit or loss.

4. Convertible bonds

Compound financial instruments (convertible bonds) are issued by the Company based on the definitions of financial liabilities and equity instruments stated in contracts and agreements, and are classified as financial liabilities and equity in initial recognition.

In initial recognition, the fair value of the liability components is estimated based on the market rate of interest of a similar inconvertible instrument, and, before inversion or due date, is estimated based on the amortized cost calculated using the effective interest method. The liability components belonging to embedded non-equity derivative instruments are measured at fair value.

A conversion option classified as equity equals the overall fair value of the compound instrument subtracting the fair value of the liability components determined independently. After subtraction of the income tax, the remaining sum is recognized as equity and is not measured again later. When the conversion option is exercised, the corresponding liability component and the amount classified as equity are recognized as capital stock and capital surplus – at premium. If the conversion option of a convertible bond is not exercised before the due date, the amount recognized as equity will be recognized as capital surplus – at premium.

The transaction cost related to the issuance of convertible bonds is amortized to the instrument's liability components (recognized as carrying amount of liabilities) and equity components (recognized as equity) at the percent of amortization.

5. Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its risk exposure to interest rate and foreign exchange rate, including forward exchange contracts and interest rate futures contracts.

Derivative financial instruments are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the balance sheet date. The resulting gain or loss is recognized in profit or loss immediately. Derivative financial instruments are recognized as financial assets when the fair value of such instruments is a positive, and are recognized as financial liabilities when the fair value of such instruments is a negative.

(XII) Provision

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows.

(XIII) Recognition of Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Sales return refers to the amount of returned products reasonably estimated based on past experience and other relevant factors. Revenue from the sale of goods is recognized when the goods are delivered and titles have passed.

(XIV) Leases

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1. The Company as the lessor

   Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2. The Company as the lessee

   Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rents under a lease agreement are recognized as expenses for the year when they occur.

(XV) Cost of Borrowings

The borrowing cost which occurs for the acquisition of assets is a part of the cost of the assets, until the assets are ready for their intended use or to be sold, with all necessary activities completed.

If the temporary investment for which special loans are obtained is performed before eligible capital expenditure occurs, the investment income earned shall be subtracted from the borrowing cost eligible for capitalization.

Except as otherwise mentioned above, the cost of other borrowings is recognized in profit or loss in the year when such cost occurs.

(XVI) Employee Benefits

1. Short-term employee benefits

   Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for service rendered by employees.

2. Retirement benefits

   For defined contribution retirement benefit plans, payments to the benefit plan are recognized as an expense when the employees have rendered service entitling them to the contribution.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the Projected Unit Credit Method. Service cost, current service cost and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur or such plans are amended or reduced. Remeasurement, comprising actuarial gains and losses, changes in effect of asset limits and the return on plan assets, is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in other equity and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (remainder) in the defined benefit plan. Net defined benefit asset shall not exceed the contributions returned from the plan or the value of contributions to be reduced in the future.

3. Other long-term employee benefits

Other long-term employee benefits and the defined benefit retirement benefit plans are dealt with based on the same accounting method; however, relevant remeasurements are recognized in profit or loss.

(XVII) Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

1. Current income tax

Income tax on unappropriated earnings at a rate of 10% is expensed in the year the shareholders approved the appropriation of earnings which is the year subsequent to the year the earnings are generated. Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2. Deferred income tax

Deferred income tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred income tax liabilities are generally recognized for all taxable temporary differences. Deferred income tax assets are generally recognized for all deductible temporary differences, net operating loss carryforwards and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred income tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint venture, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at the balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. The deferred income tax assets which originally not recognized is also reviewed at the balance sheet date and increased to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

Deferred income tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset is realized, based on tax rates and tax laws that have been enacted or substantively enacted by the date of balance sheet. The measurement of deferred income tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred income tax for the year

Current and deferred income tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred income tax are also recognized in other comprehensive income or directly in equity, respectively.

V. Critical Accounting Judgments and Key Sources of Estimation and Uncertainty

In the application of the Company's accounting policies, the management is required to make judgments, estimates and assumptions about any relevant information that is not readily available from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed by the directors on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

The Company's critical accounting judgments and key sources of estimation and uncertainty are as follows:

(1) Realization of deferred income tax assets

Deferred income tax assets are recognized to the extent that it is sufficient profit or taxable temporary difference. Assessment of the realization of the deferred income tax assets requires the Company's subjective judgment and estimate, including the future revenue growth and profitability, tax exemption period, the amount of tax credits to be utilized, and feasible tax planning strategies. Any changes in the global economic environment, the industry trends and relevant laws and regulations could result in significant adjustments to the deferred income tax assets.

(2) Estimated impairment of accounts receivable

The Company estimates future cash flows when an objective proof shows an indication of impairment loss. The amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. If future cash flows are less than expected, a significant impairment loss may occur.

(3) Impairment of property, plant and equipment

Impairment of equipment is evaluated based on the recoverable amount of the equipment (i.e. fair value of the asset less the higher of sales cost and use value). Market price or the recoverable amount to be influenced by changes in future cash flows may make the Company recognize additional impairment loss or reverse any recognized impairment loss.

(4) Impairment of inventories

Net realizable value of inventory is the remaining amount by deducting cost still required until completion from estimated sales price during normal operations. The estimate is based on the current market situation and sales experience of similar products. Changes in the market situation may significantly influences estimates.

(5) Recognition and measurement of defined benefit plans

Defined benefit cost and net defined benefit liabilities (assets) under defined benefit pension plans are calculated using the Projected Unit Credit Method. Actuarial assumptions comprise the discount rate, rate of employee turnover and projected salary increase rate. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

VI. Cash and Cash Equivalents

	December 31, 2015	December 31, 2014

Cash on hand and revolving funds	$ 7,002	$ 6,354
Bank checks and current deposits	138,641	171,508
	$145,643	$177,862

(I) Market rates of interest for deposits in bank at the balance sheet date are as follows: (Interest rate for check deposits: 0%)

	December 31, 2015	December 31, 2014
Deposits in bank	0.001%~0.35%	0.01%~0.40%

(II) The Company's deposits in bank are reclassified to other noncurrent assets for the following purposes:

	December 31, 2015	December 31, 2014
Other noncurrent assets (Note 15)		
Collateral for support plans	$ -	$ 4,500
Collateral for issuance of convertible bonds	91,809	91,809
	$ 91,809	$ 96,309

VII. Financial Instruments at Fair Value Through Profit or Loss

	December 31, 2015	December 31, 2014
Financial assets held for trading purposes－Current		
Derivative financial instruments (hedge not designated)		
Convertible bonds embedded derivative financial instruments	$ -	$ 210
Non-derivative financial assets		
Beneficiary certificate of funds	16,468	-
Bond investment	4,890	-
Financial assets at fair value through profit or loss－Current	$ 21,358	$ 210
Financial liabilities held for trading purposes		
Derivative financial instruments (hedge not designated)		
Convertible bonds embedded derivative financial instruments	$ 6,410	$ 3,860
Financial liabilities at fair value through profit or loss－Current	$ 6,410	$ -
Financial liabilities at fair value through profit or loss－Noncurrent	$ -	$ 3,860

VIII. Notes Receivable and Accounts Receivable

	December 31, 2015	December 31, 2014

Notes receivable	$ 4,083	$ 16,292
Accounts receivable	$ 29,133	$ 32,215
Less: Allowance for doubtful receivables	(3,030)	(11,755)
	26,103	20,460
Accounts receivable－Related parties (Note 27)	68,389	75,679
	$ 94,492	$ 96,139

(I) Accounts Receivable

The payment term granted by the Company to customers is due 60 to 150 days from the sale of goods. The allowance for doubtful receivables is assessed by reference to collectability of receivables and current financial conditions of customers.

Accounts receivable include amounts that are past due at the balance sheet date but for which the Company has not recognized a specific allowance for doubtful receivables. As there has not been a significant change in the credit quality of its customers, the amounts are still considered recoverable by the management of the Company.

Aging analysis of accounts receivable is as follows:

	December 31, 2015	December 31, 2014
Not past due	$ 86,824	$ 96,265
1～60 days	2,301	1,096
61～90 days	570	3
91～180 days	889	-
181～360 days	6,932	10
361 days or above	6	10,520
Total	$ 97,522	$107,894

The above is the aging analysis of accounts based on days past due.

Aging analysis of the accounts receivable past due but not impaired is as follows:

	December 31, 2015	December 31, 2014
60 days or below	$ 2,301	$ 1,096
61to 180 days	4,738	-
180 to 360 days	-	-
361 days or above	$ 7,039	$ 1,096

The above is the aging analysis of accounts based on days past due.

(II) Movements the allowance for doubtful receivables recognized for accounts receivable are as follows:

Collectively assessed for impairment	2015	2014
Balance at beginning of the year	$ 11,755	$ 11,801
Add: Impairment loss recognized for the year	233	-
Less: Write-off for the year	(8,958)	(46)
Balance at end of the year	$ 3,030	$ 11,755

IX. Inventories

	December 31, 2015	December 31, 2014
Finished goods	$ 11,169	$ 14,503
Work in process	1,672	1,116
Raw materials and supplies	5,900	9,379
Merchandise	1,347	2,592
	$ 20,088	$ 27,590

The Company's allowance for inventory valuation and obsolescence loss as of December 31, 2015 and December 31, 2014 was NT$989 thousand.

Sales cost relevant to inventories for the years 2015 and 2014 was NT$416,229 thousand and NT$431,456 thousand respectively. Sales cost for the year 2014 included loss on obsolete stocks, NT$469 thousand.

X. Financial Assets Carried at Cost

	December 31, 2015	December 31, 2014
Non-publicly traded common stocks		
Chi Mei Visual Technology Corporation	$ 30,055	$ 30,055
China Development Biomedical Venture Co., Ltd.	30,000	15,000
	$ 60,055	$ 45,055
Financial assets by measurement type		
Financial assets held for sale	$ 60,055	$ 45,055

As there is a wide range of estimated fair values of the Company's investments in the above non-publicly traded stocks since no price offered for such investments in an active market, the Company concludes that the fair value cannot be reliably measured and therefore should be measured at the cost less any impairment at the balance sheet date.

XI. Investments Accounted for Using Equity Method

	December 31, 2015	December 31, 2014
Investment in subsidiaries	$3,572,668	$3,563,241
Investment in associates	140,820	159,563
	$3,713,488	$3,722,804

(I) Investment in Subsidiaries

The Company's subsidiaries are listed as follows:

Name of Investee	Principal Activities	Place of Incorporation and Operation	December 31, 2015 Carrying Amount	December 31, 2015 % of ownership	December 31, 2014 Carrying Amount	December 31, 2014 % of ownership
Listed companies and companies trading in the over-the-counter market						
Optivision Technology Inc.	Production and sale of optical equipment and electronic parts and components	Hsinchu City	$ 429,689	47	$ 475,062	46
Non-listed companies and companies not trading in the over-the-counter market yet						
K Laser International Co., Ltd.	Reinvestment	British Virgin Islands	645,931	100	634,775	100
K Laser China Group Co., Ltd.	Reinvestment	British Virgin Islands	2,479,353	100	2,437,102	100
iWin Technology Co., Ltd.	Reinvestment	British Virgin Islands	17,695	100	16,302	100
			$ 3,572,668		$ 3,563,241	

Information on market price of stock right investments of the companies trading in the over-the-counter market calculating with equity method at closing price at the balance sheet date is as follows:

Name of Company	December 31, 2015	December 31, 2014
Optivision Technology Inc.	$ 517,547	$1,293,867

1. The Company obtained and disposed stock rights of Optivision Technology Inc. in an open market in the year 2014 and the difference between the carrying amount and the gains on such disposal therefore occurred. As changes in stock rights do not make the Company lose its control over that company, thus the sale was listed under "difference between acquisition or disposal of corporate equity and the carrying amount of stock rights." In 2015, Optivision Technology Inc. bought back 915 thousand treasury shares, so the Company's interests in that company were changed. Such change of NT$1,050 thousand was listed under "difference between gains on acquired stock rights of subsidiaries and carrying amounts."
2. K Laser International Co., Ltd., a 100% subsidiary of the Company, was established in British Virgin Islands in October 2010. It decreased capital in 2015, and the returned capital was USD 523 thousand. Accumulated investment of the Company was USD 19,776 thousand as of December 31, 2015. It engages primarily in investment. The Company invests in entities in America and Asia indirectly through K Laser International Co., Ltd. and mainly engages in production, sale, research, development and investment of holography products and optical fiber communication related components.
3. K Laser China Group Co., Ltd., a 100% subsidiary of the Company, was established in British Virgin Islands in October 2010. It decreased capital by USD 3,038 thousand and remitted back earnings USD 565 thousand in 2015. Accumulated investment of the Company, holding 100% shares of that company,

was USD 25,771 thousand as of December 31, 2015. That company engages primarily in investment. The Company invests in Wuxi K Laser Technology Co., Ltd., Dongguan K Laser Technology Co., Ltd. and K Laser Technology (HK) Co., Ltd. indirectly through K Laser China Group Co., Ltd., and mainly engages in production and sale of laser products, opto-electronic equipment and optoelectronic materials. The above indirect investments in Mainland China have been approved of Investment Commission, Ministry of Economic Affairs.

4. Gains or losses on long-term stock right investments are recognized with equity method. The financial statements of Amagic Technologies U.S.A. (Dubai), a company reinvested by K Laser International Co., Ltd., Amagic Holographics India Private Limited, and K Laser Technology (HK) Co., Ltd., a company reinvested by K Laser China Group Holding Co., Ltd. for the years 2015 and 2014 were audited by other certified public accountants, instead of certified public accountants of the Company.

(II) Investment in Associates

The Company's associates are listed as follows:

			December 31, 2015		December 31, 2014	
Name of Investee	Principal Activities	Place of Incorporation and Operation	Carrying Amount	% of ownership	Carrying Amount	% of ownership
Wellcome Co., Ltd.	Manufacturing, processing, purchase and sale of fluorescence paints and dyes	Yunlin County	$ 89,824	33	$ 81,704	33
Everest Display Inc.	Production and sale of optical equipment and wireless communication machines and devices	Hsinchu City	43,097	39	77,859	36
Chun Yao Co., Ltd.	Research, development and sale of gastrointestinal endoscope	Hsinchu City	7,899	36	-	-
			$140,820		$159,563	

1. Chun Yao Co., Ltd., which started preparing for incorporation from March 2015, mainly engages in research, development and sale of gastrointestinal endoscopes. In March 2015, the Company participated in its capital increase by investing NT$11,000 thousand and obtained 36% of its equity.
2. Regarding gains or losses on long-term stock right investments recognized with equity method, the financial statements of Wellcome Co., Ltd. for the years 2015 and 2014 were audited by other certified public accountants, instead of certified public accountants of the Company.

The overall financial information about the Company's associates is listed as follows:

	December 31, 2015	December 31, 2014
Total assets	$1,017,525	$1,032,123
Total liabilities	$ 642,832	$ 613,882

	2015	2014
Operating income for the year	$ 648,287	$ 730,454
Net income for the year	($ 53,538)	$ 29,947
Other comprehensive income (loss) for the year	($ 1,410)	$ 1,480

The associates' share of profit or loss evaluated with the equity method is recognized by the Company in 2015 and 2014 based on the associates' financial statements audited by certified public accounts for the same periods.

XII. Property, Plant and Equipment

	December 31, 2015	December 31, 2014
Buildings and structure	$122,680	$110,507
Machinery and equipment	21,253	16,811
Other equipment	61,662	54,872
Construction in progress	6,261	1,276
	$211,856	$183,466

	Buildings and structure	Machinery and equipment	Other Equipment	Construction in Progress	Total
Cost					
Balance, January 1, 2014	$ 297,695	$ 256,478	$ 250,583	$ 11,582	$ 816,338
Addition	90	2,177	11,016	935	14,218
Disposal	-	(73,319)	(34,034)	-	(107,353)
Reclassification	-	2,834	8,407	(11,241)	-
Balance, December 31, 2014	$ 297,785	$ 188,170	$ 235,972	$ 1,276	$ 723,203
Accumulated depreciation and impairment					
Balance, January 1, 2014	$ 182,318	$ 228,547	$ 200,075	$ -	$ 610,940
Disposal	-	(63,373)	(29,744)	-	(93,117)
Depreciation expense	4,960	6,185	10,769	-	21,914
Balance, December 31, 2014	$ 187,278	$ 171,359	$ 181,100	$ -	$ 539,737
Net, December 31, 2014	$ 110,507	$ 16,811	$ 54,872	$ 1,276	$ 183,466
Cost					
Balance, January 1, 2015	$ 297,785	$ 188,170	$ 235,972	$ 1,276	$ 723,203
Addition	21,103	9,129	18,078	5,995	54,305
Disposal	-	(34,562)	(1,986)	-	(36,548)
Reversal expenses	-	-	-	(82)	(82)
Reclassification	(4,416)	-	928	(928)	(4,416)
Balance, December 31, 2015	$ 314,472	$ 162,737	$ 252,992	$ 6,261	$ 736,462
Accumulated depreciation and impairment					
Balance, January 1, 2015	$ 187,278	$ 171,359	$ 181,100	$ -	$ 539,737
Disposal	-	(34,562)	(1,986)	-	(36,548)
Depreciation expense	5,720	4,687	12,216	-	22,623
Reclassification	(1,206)	-	-	-	(1,206)
Balance, December 31, 2015	$ 191,792	$ 141,484	$ 191,330	$ -	$ 524,606
Net, December 31, 2015	$ 122,680	$ 21,253	$ 61,662	$ 6,261	$ 211,856

(I) Property, plant and equipment of the Company are depreciated with the straight-line method over the following expected useful lives:

Buildings	
Buildings and structure	25 to 50 years
Auxiliary equipment of buildings	7 to 10 years
Machinery and equipment	3 to 11 years
Other equipment	2 to 11 years

(II) The amounts of the property, plant and equipment prior to depreciation and depletion and the investment property that was mortgaged by the Company to banks as securities for bank loans as of December 31, 2015 and December 31, 2014 were detailed as follows:

	December 31, 2015	December 31, 2014
Buildings and structure	$122,680	$110,507
Investment property	54,195	52,878
	$176,875	$163,385

XIII. Investment Property

	December 31, 2015	December 31, 2014
Investment property	$ 54,195	$ 52,878

	2015	2014
Cost		
Balance, January 1	$156,346	$156,346
Reclassification	4,416	-
Balance, December 31	$160,762	$156,346
Accumulated depreciation and impairment		
Balance, January 1	$103,468	$101,485
Depreciation expense	1,893	1,983
Reclassification	1,206	-
Balance, December 31	$106,567	$103,468

The aforementioned investment properties are depreciated with the straight-line method over the following expected useful lives:

Buildings and structure	50 years
Auxiliary equipment of buildings	10 years

Estimates are made by the Company based on appraisal reports. The fair value of investment property on December 31, 2014 and December 31, 2015 was NT$88,581 thousand and NT$91,504 thousand respectively.

XIV. Other Intangible Assets

	December 31, 2015	December 31, 2014
Carrying amount of each category		
Cost of computer software	$ 482	$ 834

	2015	2014
Cost		
Balance, January 1	$ 1,515	$ 665
Acquisition for the year	110	850
Balance, December 31	$ 1,625	$ 1,515
Accumulated depreciation and impairment		
Balance, January 1	$ 681	$ 202
Amortization expense	462	479
Balance, December 31	$ 1,143	$ 681

Amortization expenses from the above intangible assets are recognized on a straight-line basis over their expected useful lives of 2 to 5 years.

XV. Other Assets

	December 31, 2015	December 31, 2014
Retained tax	$ 587	$ 859
Prepaid expenses and accounts	1,341	4,469
refundable deposits	8,100	19,192
Restricted assets (Note 6)	91,809	96,309
Tax receivable (Note 22)	79	79
Others	2,830	1,345
	$104,746	$122,253
Current	$ 2,516	$ 5,782
Noncurrent	102,230	116,471
	$104,746	$122,253

XVI. Loans

(I) Short-term Loans

	December 31, 2015		December 31, 2014	
	Interest Rate	Amount	Interest Rate	Amount
Unsecured loans	1.20%	$ 180,000	1.20%	$ 90,000

Kuo Wei-Wu, Chairman of the Company, was the joint guarantor for the Company's unsecured loans from the bank as of December 31, 2014 and December 31, 2015.

(II) Short-term Notes and Bills Payable

	December 31, 2015	December 31, 2014
Commercial paper payable	$100,000	$100,000
Less: Discounts on short-term notes and bills payable	(88)	(27)
	$ 99,912	$ 99,973

The short-term notes and bills payable not due yet are as follows:

December 31, 2015

Guaranteeing / Accepting Institution	Par Value	Discount	Carrying Amount	Interest Rate
Commercial paper payable				
Mega Bills	$ 50,000	$ 24	$ 49,976	1.2%
International Bills	50,000	64	49,936	1.2%
	$100,000	$ 88	$ 99,912	

December 31, 2014

Guaranteeing / Accepting Institution	Par Value	Discount	Carrying Amount	Interest Rate
Commercial paper payable				
Dah Chung Bills Finance Corp.	$ 50,000	$ 8	$ 49,992	0.892%
Mega Bills	50,000	19	49,981	0.862%
	$100,000	$ 27	$ 99,973	

(III) Current Portion of Long-term Liabilities

	December 31, 2015	December 31, 2014
Current portion of long-term liabilities	$ -	$523,836
Current portion of convertible bonds payable (Note 17)	483,901	-
	$483,901	$523,836

(IV) Long-term Loans

	Interest Rate%	December 31, 2015 Amount	December 31, 2014 Amount
Secured Loan			
E. Sun Bank (Leading bank of syndicated loans) Mortgage loan from 2012/8 to 2015/8, for which principle is repaid from August 2014 for every 6 months; revolving use is not allowed.	-	$ -	$ 283,836
E. Sun Bank (Leading bank of syndicated loans) Mortgage loan from 2012/12 to 2015/12, for which interest is paid every month and principle is repaid in full when due	-	-	240,000
E. Sun Bank (Leading bank of syndicated loans) Mortgage loan from 2015/12 to 2018/12, for which principle is repaid from December 2017 for every 6 months; revolving use is not allowed.	1.79	290,000	-
E. Sun Bank (Leading bank of syndicated loans) Mortgage loan from 2015/8 to 2018/8, for which interest is paid every month and principle is repaid in full when due	1.79	430,000	-
Unguaranteed loans			
JihSun Bank Unsecured loans from 2014/2 to 2016/2, for which interest is paid every month and principle is repaid in full when due; to be extended from February 2015 for more 2 years; date due is February 2017.	1.92	100,000	100,000
KGI Bank (Former China Development Industrial Bank) Unsecured loans from 2014/6 to 2016/6, for which interest is paid every month and principle is repaid in full when due; to be extended from June 2015 for more 2 years; date due is May 2017.	1.57	100,000	100,000
Taipei Fubon Bank Unsecured loans from 2014/8 to 2016/6, for which interest is paid every month and principle is repaid in full when due; to be extended from June 2015 for more 2 years; date due is May 2017.	1.81	100,000	100,000
Less: Current portion of long-term loans		-	(523,836)
		$ 1,020,000	$ 300,000

1. For acquiring sufficient working capital and making repayments for bonds, the Company entered into a syndicated loan contract with nine financial institutions in August 2015 for the syndicated loans provided mainly by E. Sun Bank. The total credit line was NT$720,000 thousand. As of December 31, 2015, the actual used amount was NT$ 720,000 thousand and loan balance was NT$720,000 thousand.

   According to the syndicated loan contract, the annual consolidated financial statements of the Company shall maintain the following financial ratios until the Companies repay total debts under the contract.

   (1) Current ratio (i.e. ratio of current assets to current liabilities) shall not be less than 100%.
   (2) Debt ratio (i.e. ratio of total liabilities less cash and cash equivalents to tangible net worth) shall not be over 100%.
   (3) Times interest earned (i.e. sum of income before income tax, interest expenses, depreciation and amortization divided by interest expenses) shall not be less than 300%.
   (4) Tangible net worth shall not be less than NT$2,600,000 thousand.
2. Kuo Wei-Wu, Chairman of the Company, was a joint guarantor for the abovementioned long-term loans. None of property, plant and equipment and investment property was provided as a security for the syndicated loans provided by E. Sun Bank.

XVII. Bonds Payable

	December 31, 2015	December 31, 2014
Liability components constituting the secured convertible bonds issued for the fourth time	$291,736	$287,236
Liability components constituting the unsecured convertible bonds issued for the fifth time	192,165	187,959
Less: Current portion of long-term liabilities	(483,901)	-
	$ -	$475,195

The Company issued secured convertible bonds for the fourth time and unsecured convertible bonds for the fifth time at a coupon rate of 0% in the amount of NT$300,000 thousand and 200,000 thousand respectively on October 17, 2014 and October 20, 2014, and the total amount for sale is NT$495,000 thousand (minus transaction cost NT$5,000 thousand). The Company separates the convertible option with debt according to regulations, and recognizes equity in the amount of NT$16,000 thousand, listing “Capital surplus – Stock options” and debt in the amount of NT$479,000 thousand, “Financial assets at fair value through income statement – Current” in the amount of NT$100 thousand, “Financial assets at fair value through income statement – Non-current” in the amount of NT$5,640 thousand, and “Convertible bonds payable” in the amount of NT$473,460 thousand.

K Laser issued convertible bonds pursuant to the terms and conditions:

(I) Secured Convertible Bonds Issued for the Fourth Time:

1. Issuing date: October 17, 2014
2. Par value: NT$100 thousand
3. Place of issue and transaction: R.O.C.
4. Issuing price: 100%
5. Total stocks issued: NT$300,000 thousand
6. Coupon rate: 0%; effective interest rate: 1.56%
7. Issuing period: 3 years; expiration date: October 17, 2017

8. Convertible option and subject: Converting to common stocks of the Company at then conversion price
9. Security: Time deposit of NT$91,809 thousand pledged by the bank
10. Redemption and resale of bonds:
    (1) Redemption upon expiration: Principal will be returned at par value after expiration of the issuing period.
    (2) Early redemption:
    If the closing price of the Company's common shares in Taiwan Stock Exchange exceeds 30% (inclusive) of the conversion prices for 30 consecutive business days, or if the remaining amount of convertible bonds in circulation is less than 10% of the amount originally issued, the Company may recall all of its bonds in cash at face value from the day after the bonds are issued for one full month to 40 days before maturity.
    (3) Resale terms:
    A bond holder may request K Laser for early settlement at 102.01% after the completion of 2 years following the date when the bonds are issued.
11. Conversion price and adjustment:
    (1) Conversion price shall be NT$16.7 per share.
    (2) Conversion price shall be NT$16.2 per share from November 10, 2015.
    (3) Adjustment of conversion price:
    After issuing convertible bonds, if common shares of the Company increase or cash dividends exceed 1.5% of the stock price, the Company shall adjust the conversion price according to the formula in the regulations on issuing corporate bonds.

(II) Unsecured Convertible Bonds Issued for the Fifth Time:

1. Issuing date: October 20, 2014
2. Par value: NT$100 thousand
3. Place of issue and transaction: R.O.C.
4. Issuing price: 100%
5. Total stocks issued: NT$200,000 thousand
6. Coupon rate: 0%; effective interest rate: 2.22%
7. Issuing period: 3 years; expiration date: October 20, 2017
8. Convertible option and subject: Converting to common stocks of the Company at then conversion price
9. Redemption and resale of bonds:
    (1) Redemption upon expiration: Principal will be returned at par value after expiration of the issuing period.
    (2) Early redemption:
    If the closing price of the Company's common shares in Taiwan Stock Exchange exceeds 30% (inclusive) of the conversion prices for 30 consecutive business days, or if the remaining amount of convertible bonds in circulation is less than 10% of the amount originally issued, the Company may recall all of its bonds in cash at face value from the day after the bonds are issued for one full month to 40 days before maturity.
    (3) Resale terms:
    A bond holder may request K Laser for early settlement at 102.516% after the completion of 2 years following the date when the bonds are issued.
10. Conversion price and adjustment:
    (1) Conversion price shall be NT$16.8 per share.
    (2) Conversion price shall be NT$16.3 per share from November 10, 2015.
    (3) Adjustment of conversion price:
    After issuing convertible bonds, if common shares of the Company increase or cash dividends exceed 1.5% of the stock price, the Company shall adjust the conversion price according to the formula in the regulations on issuing corporate bonds.

(III) The Company recognized in 2015 and 2014 “interest expenses of bond discount amortization” NT$8,706 thousand and NT$2,779 thousand and “loss on valuation of financial instruments” NT$2,760 thousand and “gain on valuation” NT$1,833 thousand under “Non-operating income and expenses－Interest expenses” and “Non-operating income and expenses－Financial assets (liabilities) at fair value through profit or loss.”

(IV) Switching and Redemption:

Convertible bonds issued by the Company for the second time in the amount of NT$152,500 thousand in possession of the bond holders were converted to 14,718 thousand common shares in 2015, reducing “Capital surplus – Stock options” in the amount of NT$4,590 thousand.

XVIII. Other Payables

	December 31, 2015	December 31, 2014
Other payables		
Wages payable	$ 12,815	$ 18,933
Processing expenses payable	4,709	8,474
Interest payable	229	73
Bonus to employees and remuneration to directors and supervisors payable	10,090	5,440
Equipment purchases payable	8,891	2,284
Others	14,541	16,428
	$ 51,275	$ 51,632

XIX. Retirement Benefit Plans

(I) Defined Contribution Plans

The Company applies the pension system provided by the Labor Pension Act. Such system is the defined contribution plan governed by the government. It has made monthly contributions equal to 6% of each employee’s monthly salary to employees’ pension accounts with the Bureau of Labor Insurance.

The Company recognized expenses of NT$3,888 thousand and NT$3,920 thousand in the parent company only income statements for 2015 and 2014 at the percentage specified in the defined contribution plan.

(II) Defined Benefit Plans

The Company applies the pension system provided by the Labor Pension Act. Such system is the defined contribution plan governed by the government. The pension of an employee is calculated based on the employee’s length of service and average monthly salary for the six-month period prior to retirement. The Company contributes an amount equal to 2% of salaries paid each month to their respective pension funds (the Funds), which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee’s name in the Bank of Taiwan. Before the end of each year, the Company assesses the balance in the Funds. If the amount of the balance in the Funds is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The Funds are operated and managed by the Bureau of Labor Funds, Ministry of Labor; as such, the Company does not have any right to intervene in the investments of the Funds.

Amounts of defined benefit plans in the parent company only balance sheet are listed as follows:

	December 31, 2015	December 31, 2014
Present value of defined benefit obligations	$ 38,431	$ 33,865
Fair value of plan assets	(22,198)	(20,855)
Net defined benefit liability	$ 16,233	$ 13,010

Movements in net defined benefit liability (asset) are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Balance, January 1, 2014	$ 51,452	($ 28,747)	$ 22,705
Service cost			
Service cost for the year	776	-	776
Interest expenses (incomes)	867	(557)	310
Recognition in profit (loss)	1,643	(557)	1,086
Remeasurement			
Reward of plan assets	-	1,528	1,528
Actuarial loss－from changes in demographic assumptions	585	-	585
Actuarial loss－from experience adjustments	369	-	369
Recognition in other comprehensive income (loss)	954	1,528	2,482
Contribution by the employer	-	(964)	(964)
Benefits paid	(20,184)	7,885	(12,299)
Balance, December 31, 2014	33,865	(20,855)	13,010
Service cost			
Service cost for the year	423	-	423
Interest expenses (incomes)	593	(372)	221
Recognition in profit (loss)	1,016	(372)	644
Remeasurement			
Reward of plan assets	-	(243)	(243)
Actuarial loss－from changes in demographic assumptions	1,505	-	1,505
Actuarial loss－from changes in financial assumptions	1,330	-	1,330
Actuarial loss－from experience adjustments	715	-	715
Recognition in other comprehensive income (loss)	3,550	(243)	3,307
Contribution by the employer	-	(728)	(728)
Balance, December 31, 2015	$ 38,431	($ 22,198)	$ 16,233

Amounts of defined benefit plans recognized in profit (loss) are listed by functions as follows:

	2015	2014
By functions		
Cost of revenue	$ 180	$ 294
Promotion	64	231
General and administrative	310	405
Research and development expense	90	156
	$ 644	$ 1,086

Through the defined benefit plans under the Labor Standards Act, the Company is exposed to the following risks:

1. Investment risk: The pension funds are invested in equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, the rate of the return on assets distributed to the Company shall not be less than the average interest rate on a two-year time deposit published by the local banks.
2. Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation. However, this will be partially offset by an increase in the return on the debt investments of the plan assets.
3. Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the Company's defined benefit obligation were carried out by qualified actuaries. The principal assumptions of the actuarial valuation are as follows:

	December 31, 2015	December 31, 2014
Discount rate	1.375%	1.75%
Projected salary increase rate	2.00%	2.00%

When there were reasonable changes in significant assumptions and all other assumptions were held constant, the present value of the defined benefit obligation would increase or decrease as follows:

	December 31, 2015	December 31, 2014
Discount rate		
Increase by 0.25%	($ 936)	($ 826)
Decrease by 0.25%	$ 970	$ 856
Projected salary increase rate		
Increase by 0.25%	$ 947	$ 838
Decrease by 0.25%	($ 918)	($ 812)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31, 2015	December 31, 2014
Contributions expected to be made within one year	$ 664	$ 734
Average maturity period for defined benefit obligations	9.87 years	9.91 years

XX. Equity

(I) Capital Stock

Common shares

	December 31, 2015	December 31, 2014
Authorized shares (in thousands)	200,000	200,000
Authorized capital	$2,000,000	$2,000,000
Issued and paid shares (in thousands)	132,467	174,167
Issued capital	$1,324,665	$1,741,665

A holder of issued common shares with par value of NT$10 per share is entitled to vote and to receive dividends.

The Company's outstanding common shares are adjusted as follows:

	Number of shares (in thousands)	Capital
Balance, January 1, 2014	167,449	$1,674,492
Conversion of bonds	14,718	147,173
Cancelled treasury stock	(8,000)	(80,000)
Balance, December 31, 2014	174,167	$1,741,665
Balance, January 1, 2015	174,167	$1,741,665
Cancelled treasury stock	(41,700)	(417,000)
Balance, December 31, 2015	132,467	$1,324,665

(II) Capital Surplus

Capital surplus balances in 2015 and 2014 were adjusted as follows:

	Additional Paid-in Capital (1)	Treasury Stock Transactions (1)	Stock Option (3)	Difference between actual gains on acquired stock rights of subsidiaries and carrying amounts (1)	Recognized changes in ownership of subsidiaries (2)	Total
Balance, January 1, 2014	$ 398,621	$ 9,164	$ 4,590	$ 39,657	$ -	$ 452,032
Interests recognized from convertible bonds	-	-	16,000	-	-	16,000
Conversion of convertible bonds	9,461	-	(4,590)	-	-	4,871
Adjustments to share of changes in equities of associates	-	-	-	-	45,353	45,353
Cancelled treasury stock	(18,772)	(9,164)	-	-	-	(27,936)
Difference between gains on acquired stock rights of subsidiaries and carrying amounts	-	-	-	6,387	-	6,387
Balance, December 31, 2014	389,310	-	16,000	46,044	45,353	496,707
Difference between gains on acquired stock rights of subsidiaries and carrying amounts	-	-	-	4,081	1,050	5,131
Cancelled treasury stock	(93,211)	-	-	-	-	(93,211)
Balance, December 31, 2015	$ 296,099	$ -	$ 16,000	$ 50,125	$ 46,403	$ 408,627

1. Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, it may be distributed as cash dividends or stock dividends up to a certain percentage of the paid-in capital.
2. Such capital surplus refers to the equity transaction effects recognized due to change of interests in subsidiaries or the adjustments of subsidiaries' capital surplus recognized with equity method by the Company before the Company actually acquires or disposes stock rights of subsidiaries, and may be used to offset a deficit.
3. Such capital surplus cannot be used for any other purposes.

(III) Retained earnings and dividend policies

If the Company has any profit at the closing of a fiscal year, it shall use it to pay income tax and make good of past losses first and then set aside 10% of the rest of the profit as legal reserve in accordance with the Company Act and the Articles of Incorporation. Special reserve is appropriated from the earnings for the current year according to the law or relevant regulations and, after reversal, recognized in distributed earnings. A proposal of earning distribution is prepared by the board of directors and submitted to be approved at the shareholders' meeting. Remuneration to directors and supervisors is 2% and bonuses to employees are at least 7% of the earnings distributed. The persons to whom the above bonuses are distributed include the employees of associates satisfying required conditions.

The amendments to the Company Act that were made in May 2015 specify that dividends and bonuses shall be only distributed to shareholders and that employees do not qualify for earnings. To comply with the aforementioned Act, the Company proposed at the board meeting on December 29, 2015 to amend its Articles of Incorporation and the shareholders' meeting will be held for resolution on May 27, 2016. For the basis of estimate for remuneration to directors and supervisors and the actual distribution of such remuneration, please see Note 21.

The Company appropriates special reserve pursuant to instructions in the letters Jin-Guan-Zheng-Fa-Zi No. 1010012865, Jin-Guan-Zheng-Fa-Zi No. 1010047490 and Jin-Guan-Zheng-Fa-Zi No. 1030006415 and the Rules Applicable to Special Reserve Appropriation after Adoption of IFRSs. When deductions from other shareholders' equity are reversed, earnings shall be distributed based on such reversed part.

Legal reserve shall be appropriated until the total of its amount reaches the Company's paid-in capital. Legal reserve may be used to make good of past losses. If the Company suffers no loss and its legal reserve exceeds 25% of paid-in capital, such excess may be either allocated to capital or distributed in cash.

When unappropriated earnings are appropriated, all shareholders, except those not living in the Republic of China, are entitled to imputation credit calculated at tax deduction ratio on the date of dividend distribution.

Appropriation of earnings for the years 2014 and 2013 approved in the regular meeting of shareholders held by the Company on June 18, 2015 and June 18, 2014 respectively was as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	2014	2013	2014	2013
Legal reserve	$ 9,069	$ 22,785	$ -	$ -
Cash dividends	55,008	104,923	0.35	0.65

The Company's appropriations of earnings for 2015 had been approved in the meeting of the board of directors held on March 10, 2016. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 16,435	$ -
Cash dividends	66,233	0.5

The appropriations of earnings for 2015 are to be presented for approval in the shareholders' meeting to be held on May 27, 2016.

(IV) Movements in the special capital reserve appropriated by the Company were as follows:

	2015	2014
Balance at beginning of the year	$162,918	$162,977
Reversal of special reserve from disposal of subsidiaries	-	(59)
Balance at end of the year	$162,918	$162,918

(V) Other Equity

Exchange differences on translation of foreign financial statements:

	2015	2014
Balance at beginning of the year	$131,780	$ 8,325
Exchange difference from conversion of net assets of foreign operations	(47,099)	123,455
Balance at end of the year	$ 84,681	$131,780

The exchange differences arising on translation of foreign operation's net assets from its functional currency (i.e. New Taiwan Dollar) to the Company's presentation currency are recognized directly in other comprehensive income and also accumulated in the exchange differences on translation of foreign financial statements. Such amount accumulated in the exchange differences on translation of foreign financial statements will be reclassified to profit or loss when the foreign operation is disposed.

(VI) Treasury Stock

1. Movements of treasury stock are as follows:

Unit: Share

2015

Reason of possessing shares	Number of shares at the beginning of the year	Increase for the year	Decrease for the year	Number of shares at the end of the year
Transferring shares to employees	8,000,000	-	(8,000,000)	-
Maintaining goodwill of the Company and equity of its shareholders	8,921,000	24,779,000	(33,700,000)	-
	16,921,000	24,779,000	(41,700,000)	-

2014

Reason of possessing shares	Number of shares at the beginning of the year	Increase for the year	Decrease for the year	Number of shares at the end of the year
Transferring shares to employees	8,000,000	-	-	8,000,000
Maintaining goodwill of the Company and equity of its shareholders	-	16,921,000	(8,000,000)	8,921,000
	8,000,000	16,921,000	(8,000,000)	16,921,000

2. According to Article 28-1 of the Securities and Exchange Act, the number of shares bought back by a company shall not exceed 10% of the total number of shares issued by the company, and the total amount paid to buy the shares shall not exceed the sum of retained earnings, premium on capital stock and realized capital surplus. According to the Securities and Exchange Act, treasury stocks held by the Company shall neither be pledged nor be assigned dividend distribution right or voting right.

XXI. Net Profit of Continuing Operations

Employee benefit expenses and depreciation and amortization expenses

	2015			
	Operating cost	Operating expense	Non-operating expense and losses	Total
Short-term employee benefits				
Wages	$ 26,101	$ 48,145	$ -	$ 74,246
Labor and health insurance premium	$ 2,772	$ 3,940	$ -	$ 6,712
Retirement benefits	$ 1,600	$ 2,932	$ -	$ 4,532
Other employee benefits	$ 307	$ 441	$ -	$ 748
Depreciation expense				
Depreciation of property, plant and equipment	$ 10,910	$ 10,694	$ 1,019	$ 22,623
Depreciation of investment property	-	-	1,893	1,893
	$ 10,910	$ 10,694	$ 2,912	$ 24,516
Amortization expense	$ 8	$ 454	$ -	$ 462

	2014			
	Operating cost	Operating expense	Non-operating expense and losses	Total
Short-term employee benefits				
Wages	$ 23,965	$ 61,951	$ -	$ 85,916
Labor and health insurance premium	$ 2,197	$ 4,626	$ -	$ 6,823
Retirement benefits	$ 1,409	$ 3,597	$ -	$ 5,006
Other employee benefits	$ 268	$ 559	$ -	$ 827
Depreciation expense				
Depreciation of property, plant and equipment	$ 6,244	$ 12,439	$ 3,231	$ 21,914
Depreciation of investment property	-	-	1,983	1,983
	$ 6,244	$ 12,439	$ 5,214	$ 23,897
Amortization expense	$ 10	$ 469	$ -	$ 479

The number of the Company's employees was 112 and 110 as of December 31, 2015 and December 31, 2014 respectively.

No more than 7% and 2% of earnings are distributed by the Company to bonuses to employees and remuneration to directors and supervisors respectively based on the proposal of earning distribution submitted for the current year in accordance with the Articles of Incorporation. In 2014, bonuses to employees were estimated at 7% of earnings and the amount of NT$4,231 thousand was recognized; remuneration to directors and supervisors was estimated at 2% of earnings and the amount of NT$1,209 thousand was recognized.

The Company appropriates 4% to 8% and no more than 2% of income before tax prior to deduction of remuneration to employees, directors and supervisors for remuneration to employees and remuneration to directors and supervisors, respectively, in accordance with the amendments to the Company Act that were amended in May 2015 and the Articles of Incorporation proposed by the board of directors on December 29, 2015 to be amended. In 2015, remuneration to employees NT$8,108 thousand, estimated at 4.5% of the aforementioned income before tax, was recognized and remuneration to directors and supervisors NT$1,982 thousand, estimated at 1.1% of the income before tax, was recognized. These amounts were approved at the board meeting on March 10, 2016 to be appropriated in cash, and will be reported at the shareholders' meeting after the amendments to the Articles of Incorporation were approved at the regular meeting of shareholders held on May 27, 2016.

After the end of the year, when the amount approved by the board of directors is changed significantly prior to the date of promulgation of the approved parent company only financial statements, the allocated annual expenses are adjusted based on the change. If such amount is changed after the date of promulgation of the approved parent company only financial statements, it shall be dealt with based on changes in accounting estimates and then adjusted and carried next year. If the board of directors resolves to appropriate employees' bonuses by distributing stock dividends to employees, the number of shares to be bonuses is the amount of resolved bonuses divided by fair value of shares. Fair value of shares refers to the closing price one day before the date that the resolution is passed at the shareholders' meeting (after taking effect of ex-dividend and ex–right into account).

Bonuses to employees and remuneration to directors and supervisors for the years 2014 and 2013 that were approved at the regular meeting of shareholders held by K Laser on June 18, 2015 and June 18, 2014 respectively are as follows:

	2014		2013	
	Bonus in cash	Bonus in shares	Bonus in cash	Bonus in shares
Bonus to employees	$ 4,231	$ -	$ 8,071	$ -
Remuneration to directors and supervisors	1,209	-	2,306	-

The appropriations of bonus to employees and remuneration to directors and supervisors resolved at the regular meeting of shareholders held on June 18, 2015 and June 18, 2014 and the appropriations of bonus to employees and remuneration to directors and supervisors recognized in the financial statements are as follows:

	2014		2013	
	Bonus to employees	Remuneration to directors and supervisors	Bonus to employees	Remuneration to directors and supervisors
Appropriations approved at the shareholders'' meeting	$ 4,231	$ 1,209	$ 8,071	$ 2,306
Appropriations recognized in the financial statements	4,231	1,209	6,691	1,912

The above differences of 2013 were adjusted in the profit or loss of 2014.

The information about the compensation to employees and the remuneration to directors and supervisors approved at the board meeting of the Company for 2016 and the information about the bonus to employees and the remuneration to directors and supervisors approved at the shareholders meeting for 2015 and 2014 respectively are available at Taiwan Stock Exchange's Market Observation Post System website.

XXII. Income Tax of Continuing Operations

(I) Income tax (gains) and expenses recognized in profit or loss comprise the following:

	2015	2014
Current income tax		
Incurred in current year	$ -	$ -
Imposed on unappropriated earnings	2,413	10,000
Adjusted for previous years	1,231	105
Deferred income tax		
Incurred in current year	2,250	3,000
Income tax expenses recognized in profit or loss	$ 5,894	$ 13,105

Accounting incomes and income tax expenses are reconciled as follows:

	2015	2014
Income before income tax of continuing operations	$170,240	$103,795
Income tax expenses calculated at the legal tax rate on the income before income	$ 28,900	$ 17,600
Investment gains recognized with equity method	(35,700)	(23,700)
Dividend income from foreign investments	2,900	15,000
Gains on disposal of domestic equity investments	(200)	(200)
Others	6,350	(100)
Operating loss carryforwards not recognized	-	(5,600)
Taxation on unappropriated earnings	2,413	10,000
Adjustment of income tax expenses of the previous year	1,231	105
Income tax expenses recognized in profit or loss	$ 5,894	$ 13,105

The Company applied a tax rate of 17%.

As earnings to be distributed for 2015 at the shareholders' meeting are still uncertain, potential income tax consequences for the 10% income tax imposed on the undistributed earnings have not been determined yet.

(II) Income Tax Assets and Liabilities

	December 31, 2015	December 31, 2014
Income tax assets		
Tax receivable	$ 79	$ 79
Income tax payable		
Income tax payable	$ 2,364	$ 9,959

(III) Deferred Income Tax Assets

	December 31, 2015	December 31, 2014
Temporary differences		
Unrealized gross profit	$ 2,800	$ 3,700
Loss on allowance for doubtful receivables	1,800	3,600
Others	100	100
Operating loss carryforwards	23,600	23,150
Deferred income tax assets	$28,300	$30,550

(IV) Information about Unused Operating Loss Carryforwards

The information about operating loss carryforwards as of December 31, 2015 is as follows:

Unused Amount	Year of Last Carryforward
$39,080	2019
20,102	2020
75,768	2021
84,753	2022
21,670	2023
$241,373	

(V) Integrated Income Tax Information:

	December 31, 2015	December 31, 2014
Balance of the imputation credit account of shareholders (including income tax liability, end of year)	$17,272	$14,105
Unappropriated earnings after 1998	$408,801	$409,230

The creditable ratio for distribution of the earnings of 2015 and 2014 were 4.22% and 5.4%, respectively.

According to the Income Tax Act, when the Company makes distribution from earnings of the year 1998 or each ensuing year, shareholders of the Republic of China are entitled to imputation credit calculated at tax deduction ratio on the date of dividend distribution. As the imputation credit allocated to shareholders is based on its balance as of the date of the dividend distribution, the creditable ratio estimated by the Company for 2015 may change when the actual distribution of the imputation credit is made.

(VI) Income Tax Examination

The tax authorities have examined income tax returns of the Company through 2012.

XXIII. Earnings Per Share

Basic EPS and diluted EPS of the Company are computed as follows:

	2015				
	Amount (Numerator)		Number of shares (in thousands)	Earnings Per Share (NT$)	
	Before Tax	After Tax	(Denominator)	Before Tax	After Tax
Basic earnings per share					
Earnings available to shareholders of common shares	$ 170,240	$ 164,346	146,914	$ 1.16	$ 1.12
Effect of dilutive potential common shares					
Convertible bonds	8,706	7,226	30,788		
Bonus to employees	-	-	727		
Diluted earnings per share					
Earnings available to shareholders of common shares	$ 178,946	$ 171,572	178,429	$ 1.00	$ 0.96

	2014				
	Amount (Numerator)		Number of shares (in thousands)	Earnings Per Share (NT$)	
	Before Tax	After Tax	(Denominator)	Before Tax	After Tax
Basic earnings per share					
Earnings available to shareholders of common shares	$ 103,795	$ 90,690	161,778	$ 0.64	$ 0.56
Effect of dilutive potential common shares					
Convertible bonds	2,779	2,306	29,869		
Bonus to employees	-	-	253		
Diluted earnings per share					
Earnings available to shareholders of common shares	$ 106,574	$ 92,996	191,900	$ 0.56	$ 0.48

If the Company may settle the obligation by cash, by issuing shares, or in combination of both cash and shares, profit sharing bonus to employees which will be settled in shares should be included in the weighted average number of shares outstanding in calculation of diluted EPS, if the shares have a dilutive effect. Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until profit sharing bonus to employees to be settled in the form of common stocks are approved at the shareholders' meeting in the following year.

XXIV. Non-cash Transactions

The Company conducted the following non-cash transactions in investing and financing activities in 2015 and 2014.

	2015	2014
Investing and financing activities not influencing cash flows		
Exchange differences on translation of foreign financial statements	($47,099)	$123,455
Current portion of long-term liabilities transferred to current Liabilities	$483,901	$523,836
Cancelled treasury stock	$607,602	$137,431
Convertible bonds converted	$ -	$152,044

XXV. Capital Risk Management

The objective of capital risk management is to ensure the Company has necessary financial resources and business plans to support their business requirements associated with working capital, capital expenditure, research and development, repayment of debts and payment of dividends over the next 12 months.

XXVI. Financial Instruments

(I) air Value Information —Financial Instruments Not Measured at Fair Value

Except for financial assets carried at cost, whose fair value cannot be measured in a liable way, the Company considers that the carrying amounts of financial assets and financial liabilities measured not at fair value approximate their fair values.

(II) Fair Value Information —Financial Instruments Measured at Fair Value

1. Levels of fair value

December 31, 2015

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	$ 21,358	$ -	$ -	$ 21,358
Total	$ 21,358	$ -	$ -	$ 21,358
Financial liabilities at fair value through profit or loss	$ -	$ 6,410	$ -	$ 6,410
Total	$ -	$ 6,410	$ -	$ 6,410

December 31, 2014

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	$ -	$ 210	$ -	$ 210
Total	$ -	$ 210	$ -	$ 210
Financial liabilities at fair value through profit or loss	$ -	$ 3,860	$ -	$ 3,860
Total	$ -	$ 3,860	$ -	$ 3,860

There were no transfers between Level 1 and Level 2 of the fair value hierarchy in 2015 and 2014.

2. Valuation techniques and inputs for level 2 fair value measurement

Types of Financial Instruments	Valuation Techniques and Inputs
Derivative financial instruments—Convertible bonds	Fair value is calculated using the option pricing model. The estimates and assumptions used by the Company for pricing is consistent with the estimates and assumptions used by market participants when pricing financial products.

(III) Types of Financial Instruments

	December 31, 2015	December 31, 2014
Financial assets		
Loans and receivables		
Cash and cash equivalents	$ 145,643	$ 177,862
Notes and accounts receivable (Including those from related parties)	98,575	112,431
Other receivables	8,282	8,899
refundable deposits	8,100	19,192
Restricted assets－Noncurrent (Stated as other noncurrent assets－Others)	91,809	96,309
Financial assets at fair value through profit or loss (Current and noncurrent)	21,358	210
Financial assets carried at cost－Noncurrent	60,055	45,055
Financial liabilities		
Financial liabilities at fair value through profit or loss (Current and noncurrent)	$ 6,410	$ 3,860
Measured at amortized cost:		
Short-term loans	180,000	90,000
Short-term notes and bills payable	99,912	99,973
Notes and accounts payable (including those to related parties)	60,289	72,409
Other payables	51,275	51,632
Long-term loans (including current portion of such loans)	1,503,901	823,836
Guarantee deposits (listed as other non-current Liabilities－Others)	942	942

(VI) Purposes and Policies of Financial Risk Management

Main financial instruments of the Company include equity and bond investment, accounts receivable, accounts payable, bonds payable and loans. The financial management department of the Company provides various services and handles overall operations for entering the domestic and international financial markets. It supervises and manages financial risk related to operations of the Company based on the internal risk report, which analyzes risk exposure based on the degree and extensiveness of risk. Such risks include market risk, credit risk and liquidity risk.

1. Market risk

The Company's operating activities make the Company be exposed to financial risks arising from changes in foreign exchange rates and in interest rates.

There is no change as for financial instruments exposed to market risk or the method used by the Company to manage and measure such risk.

(1) Currency risk

The risks arising from changes in foreign exchange rates to which the Company is exposed are managed to the extent tolerated by the procedure of carrying out financial derivatives transactions. Forward exchange contracts are utilized to reduce the related risks.

Please see Note 30 for the carrying amounts of the Company's monetary assets and monetary liabilities carried in non-functional currencies at the balance sheet date.

The Company's sensitivity analysis only includes foreign currency items, which are calculated assuming an appreciation of 10% in New Taiwan dollars against other currencies at the end of the reporting period, and adjusts income before taxes by a certain amount. If New Taiwan dollars depreciates by 10%, then the effect on income before taxes is the negative of the same amount.

	Effect from USD	
	2015	2014
Income effects	$ 13,249	$ 10,281

(2) Interest rate risk

The Company is exposed to interest rate risk arising from time deposits and borrowings at floating interest rates.

Carrying amounts of the financial assets and liabilities of the Company exposed to interest rate risk at the balance sheet date were as follows:

	December 31, 2015	December 31, 2014
Interest rate risk from cash flows		
Financial assets	$ 91,809	$ 96,309
Financial liabilities	1,020,000	823,836

The sensitivity analysis of interest rate risk was conducted mainly based on changes in fair value of financial assets and liabilities at floating interest at the end of the reporting period. A hypothetical increase in interest rate of 1% would have resulted in an decrease in cash outflows by NT$9,282 thousand and NT$7,275 thousand for the years 2015 and 2014.

2. Credit risk

Credit risk refers to the risk that a counterparty delays its contractual obligations resulting in financial loss to the group.

The Company requires each significant counterparty to provide with a collateral or any right of guarantee in order to reduce credit risk assumed by the Company. A task group designated by management of the Company is responsible for determination of credit line, approval of credit and other control procedures to make sure that proper measures are taken for recovery of payables overdue. Besides, the Company checks recoverable amounts of receivables one by one at the balance sheet date in order to make sure that proper impairment loss is recognized for unrecoverable receivables. Based on the above activities, management of the Company believes that credit risk assumed by the Company has significantly reduced.

3. Liquidity risk

Working capital of the Company had been sufficient, so there was no liquidity risk arising from incapability of performance of contractual obligations due to failure to raise funds.

The maturity profile of the Company's non-derivative financial liabilities is as follows:

	December 31, 2015			
	Less than 1 year	2～3 years	Over 3 years	Total
Non-derivative financial liabilities				
Liabilities without interest	$ 111,564	$ -	$ -	$ 111,564
Liabilities at floating interest rates	-	1,020,000	-	1,020,000
Liabilities at fixed interest rates	763,813	-	-	763,813
	$ 875,377	$1,020,000	$ -	$1,895,377

	December 31, 2014			
	Less than 1 year	2～3 years	Over 3 years	Total
Non-derivative financial liabilities				
Liabilities without interest	$ 124,041	$ -	$ -	$ 124,041
Liabilities at floating interest rates	523,836	300,000	-	823,836
Liabilities at fixed interest rates	189,973	479,195	-	669,168
	$ 837,850	$ 779,195	$ -	$1,617,045

XXVII. Related Party Transactions

Transactions between the Company and related parties are as follows:

(I) Operating Transactions

	Sale	
	2015	2014
Subsidiaries	$306,046	$346,937

	Purchases	
	2015	2014
Subsidiaries	$205,943	$208,548

	Operating expenses	
	2015	2014
Subsidiaries	$ 1,245	$ 2,813
Associates	29	17
	$ 1,274	$ 2,830

	Other incomes	
	2015	2014
Subsidiaries	$ 12,297	$ 13,242
Associates	7,849	7,680
	$ 20,146	$ 20,922

The price and payment terms to above related parties were not significantly different from those to third parties.

(II) Outstanding balances at the balance sheet date were as follows:

	Receivables from related parties	
	December 31, 2015	December 31, 2014
Subsidiaries	$ 68,389	$ 75,679

	Payables to related parties	
	December 31, 2015	December 31, 2014
Subsidiaries	$ 38,255	$ 35,825

	Other receivables	
	December 31, 2015	December 31, 2014
Subsidiaries	$ 5,002	$ 2,971
Associates	2,983	3,179
	$ 7,985	$ 6,150

	Other payables	
	December 31, 2015	December 31, 2014
Subsidiaries	$ 340	$ 296

	Prepayment for Equipment	
	December 31, 2015	December 31, 2014
Subsidiaries	$ 286	$ -

(III) Property Transactions

The fixed assets acquired by the Company from related parties are detailed as follows:

	2015		2014	
	Subject	Acquisition Cost	Subject	Acquisition Cost
Subsidiaries	Other equipment	$ 13,794	Other equipment	$ 6,326

(IV) Fund Accommodation

Loans provided to related parties by the Company are as follows:

	2015			
Name of Related Party	Maximum Balance	Ending Balance	Maximum Balance	Ending Balance
Associates	$ 50,000	$ -	$ 154	4.5%

(V) Endorsements and Guarantees

As of December 31, 2015 and December 31, 2014, balance of the loans for which Kuo Wei-Wu, Chairman of the Company, was a guarantor, was NT$1,200,000 thousand and NT$913,836 thousand, respectively. (Please see Note 16.)

(VI) Compensation to Key Management Personnel

	2015	2014
Short-term employee benefits	$ 7,737	$ 9,400
Retirement benefits	108	108
	$ 7,845	$ 9,508

The compensation to directors and key management personnel was determined by the compensation committee based on individual performance and market trends.

XXVIII. Pledged Assets

The following assets of the Company were provided as securities for the loans under loan contracts and for business requirements.

	December 31, 2015	December 31, 2014
Deposits in bank (Note 6)	$ 91,809	$ 96,309
Property, plant and equipment	122,680	110,507
investment property	54,195	52,878
	$268,684	$259,694

XXIX. Significant Commitments and Contingent Liabilities

(I) Operating Lease

The Company leased several parcels of land from the Science Park Administration by means of operating lease. (Lease period: 1998.10.16～2018.10.15). Rents will be varied subject to land price adjustments made by the government. Rents to be paid in near future are as follows:

Year	Amount
2016 to 2018 (each year)	$ 3,142

(II) Endorsements and guarantees provided by the Company are detailed as follows:

Unit: Foreign currency in thousands

	December 31, 2015	December 31, 2014
K Laser China Group Holding		
Guarantees	USD 11,000	USD 14,000
Guarantees	NTD -	NTD -
Amount actually drawn	USD 4,700	USD 5,500
K Laser Technology (USA) Co., Ltd.		
Guarantees	USD 1,500	USD 1,500
Amount actually drawn	USD 485	USD 660

XXX. Exchange Rate Information of Foreign Currency Financial Assets and Liabilities

The Company's significant financial assets and liabilities denominated in foreign currencies were as follows:

Unit: Foreign currency in thousands / NTD in thousands

	December 31, 2015			December 31, 2014		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
Financial assets						
Monetary items						
USD	$ 5,332	32.8250	$ 175,042	$ 4,590	31.6500	$ 145,265
EUR	136	35.8800	4,888	24	38.4700	909
RMB	356	4.9780	1,773	471	5.0855	2,396
HKD	32	4.2350	137	31	4.0800	126
JPY	59	0.2727	16	2	0.2646	-
GBP	1	48.6700	3	1	49.2700	51
AUD	1	23.9850	2	392	25.9050	10,164
Long-term equity investments with equity method						
USD	20,271	32.8250	663,626	20,571	31.6500	651,077
RMB	498,062	4.9780	2,479,353	479,226	5.0855	2,437,102
Financial assets						
Monetary items						
USD	1,296	32.8250	42,555	1,341	31.6500	42,452
EUR	4	35.8800	128	-	38.4700	60

XXXI. Operating Segments Information

The Company has disclosed operating segments information in the consolidated financial statements. Therefore, such information is not disclosed in the parent company only financial statements.

XXXII. Additional Disclosures

(I) Significant Transactions and Reinvestment Related Information:

No.	Item	Explanation
1	Financings provided	Attachment 1
2	Endorsements and guarantees provided	Attachment 2
3	Marketable securities held (Not including invested subsidiaries and associates)	Attachment 3
4.	Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital	None
5	Acquisition of individual real estate properties at costs of at least NT$300 million or 20% of the paid-in capital	None
6	Disposal of individual real estate properties at prices of at least NT$300 million or 20% of the paid-in capital	None

(Carried forward)

(Brought forward)

No.	Item	Explanation
7	Total purchases from or sales to related parties of at least NT$100 million or 20% of the paid-in capital	Attachment 4
8	Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital	None
9	Information about the derivative financial instruments transaction	Note 七
10	Information of investees	Attachment 5

(II) Information on Investment in Mainland China:

No.	Item	Explanation
1	Name of the investee located in Mainland China, main businesses and products, issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, profit or loss for the year, recognized investment gains or losses, carrying amount of ending balance, amount received as dividends from investees, and the limitation on the investee	Attachment 6
2	Significant direct or indirect transactions with investees located in Mainland China, prices and terms of payment, and unrealized gain or loss: (1) Amount and percentage of purchases, and ending balance and percentage of relevant payables (2) Amount and percentage of sales, and ending balance and percentage of relevant receivables (3) Amount of property transactions and profit or loss generated (4) Ending balance and purpose of collaterals provided or endorsements on notes (5) Maximum balance, ending balance, interest rate and total interest of financings for the year (6) Other transactions with a significant impact on income or financial status for the year, such as provision or use of service.	Attachment 6

K LASER Technology Inc.
Financings Provided by the Company
January 1 to December 31, 2015

Attachment 1

Unit: NTD in Thousands/ Foreign Currency in Thousands

No. (Note 1)	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance	Amount Actually Dr5awn	Interest Rate	Nature for Financing (Note 2)	Transaction Amounts	Reason for Financing	Allowance for Doubtful Receivables	Collateral		Financial Limits for Each Borrowing Company (Note 3)	Financing Company's Total Financing Amount Limits (Note 3)	Remark
													Item	Value			
0	K LASER Technology Inc.	Everest Display Inc.	Other receivables	Yes	$ 50,000	$ 50,000	$ -	4.5%	2	$ -	Operating capital	$ -	None	None	$ 254,267	$ 635,667	

Note 1: Information on loans from the Company and subsidiaries to others should be divided into two tables and specified in the number column. The numbers should be filled in as follows:
(1) The Company is assigned the number 0.
(2) Numbers are assigned to subsidiaries by types of companies starting from 1.

Note 2: Information on loans from the Company and subsidiaries to others should be divided into two tables and specified in the number column. The numbers should be filled in as follows:
(1) Companies with business relationship are assigned the number 1.
(2) Companies with short-term financing needs are assigned the number 2.

Note 3: According to the Company's procedure of financing, the Company's total financing amount limits shall not exceed 25% of its net worth, and the total amount for lending to a company shall not exceed 10% of its net worth.

K LASER Technology Inc.
Endorsements and Guarantees Provided
January 1 to December 31, 2015

Attachment 2

Unit: Amounts NTD in Thousands, unless specified otherwise

No. (Note 1)	Endorsement and Guarantee Provider	Guaranteed Party		Limits on Endorsement and Guarantee Amount Provided to Each Guaranteed Party (Note 3)	Maximum Balance for the Period	Ending Balance	Amount Actually Dr5awn	Amount of Endorsement and Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement and Guarantee to Net Equity in Latest Financial Statements (%)	Maximum Endorsement and Guarantee Amount Allowable (Note 3)	Endorsement and Guarantee Provided by Parent Company	Endorsement and Guarantee Provided by a Subsidiary	Endorsement and Guarantee Provided to Subsidiaries in Mainland China	Remark
		Name of Company	Relationship (Note 2)											
0	K LASER Technology Inc.	K Laser China Group Holding Co., Limited	3	$ 508,534	$ 460,180 (USD 14,000)	$ 361,075 (USD 11,000)	$ 154,278 (USD 4,700)	$ -	14.2%	$ 1,017,067	Yes	No	No	
0	K LASER Technology Inc.	K Laser Technology (USA) Co., Ltd.	3	508,534	49,305 (USD 1,500)	49,238 (USD 1,500)	15,920 (USD 485)	-	1.94%	1,017,067	Yes	No	No	

Note 1: Information on endorsements and guarantees of the Company and subsidiaries to others should be divided into two tables and specified in the number column. The numbers should be filled in as follows:
(1) The Company is assigned the number 0.
(2) Numbers are assigned to subsidiaries by types of companies starting from 1.

Note 2: The Company has 6 types of relationships with the subjects it endorses, including:
(1) Companies with business relationship;
(2) Subsidiaries, more than 50% of common shares of which are possessed directly by the Company;
(3) Investees, more than 50% of common shares of which are possessed by parent company and subsidiaries;
(4) Parent company that possesses 50% of the Company's common shares directly or through subsidiaries;
(5) Companies that endorse each other based on a contract to carry out a construction project; and
(6) Companies endorsed by its shareholders according to the shareholding ratio.

Note 3: According to the Company's Regulations for Implementation of Endorsement and Guarantee, the maximum endorsement and guarantee amount allowable shall not exceed 40% of the net worth stated in the latest financial statement of the Company, and the limits on endorsement and guarantee amount provided to each guaranteed party shall not exceed 20% of the net worth stated in the latest financial statement of the Company.

Note 4: For actually appropriated loans, please see Note 29.

K LASER Technology Inc.
Marketable Securities Held at the End of the Year
December 31, 2015

Attachment 3

Unit: Amounts NTD in Thousands, unless specified otherwise

Held Company	Type and Name of Marketable Securities	Relationship with the Company	Financial Statement Account	End of the Year				Remark
				Number of Shares	Carrying Amount	Percentage of Ownership	Fair Value (Note1)	
K LASER Technology Inc.	Stocks							
	Minton Optic Industry Co., Ltd.	None	Financial assets carried at cost — Noncurrent	857,900	$ -	1	$ -	
	Chi Mei Visual Technology Corporation	〃	〃	4,800,000	30,055	16	-	
	China Development Biomedical Co., Ltd.	〃	〃	3,000,000	30,000	2	-	
	Bonds							
K LASER Technology Inc.	Well Glory Development Co. Ltd.	None	Financial assets at fair value through profit or loss－Current	50,000	4,890	-	4,890	
	Funds							
K LASER Technology Inc.	Franklin U.S. Government Fund	None	Financial assets at fair value through profit or loss－Current	18,060	6,497	-	6,497	
	CTBC Asia Pacific Multi Income Fund	None	〃	500,000	5,014	-	5,014	
	Jih Sun Asian High Yield Bond	None	〃	417,526	4,957	-	4,957	

Note 1: As final reports of some investing companies were not available, fair value was not disclosed.
Note 2: Please see Attachment 5 and Attachment 6 for information relevant to investments of subsidiaries and associates.

K LASER Technology Inc.

Total Purchases from or Sales to Related Parties of At Least NT$100 Million or 20% of the Paid-in Capital

January 1 to December 31, 2015

Attachment 4

Unit: NTD in Thousands

Purchasing (Selling) Company	Counterparty	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes and Accounts Receivable (Payable)		Remark
			Purchases (Sales)	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
K LASER Technology Inc.	K Laser Technology (USA) Co., Ltd.	Grandson company of K Laser directly holding 80% of its shares	Sales	$ 183,439	36	D/A 60 days	N/A	N/A	$ 28,175	29	
K LASER Technology Inc.	Top Band Investment Ltd.	Grandson company of K Laser directly holding 99.60% of its shares	Purchases	(172,049)	53	D/A 60 days	N/A	N/A	(24,680)	41	

K LASER Technology Inc.
Investees, their Locations and Relevant Information
January 1 to December 31, 2015

Attachment 5

Unit: NTD in Thousands/ Foreign Currency in Thousands

Name of Investing Company	Name of Investee	Location	Main Business Items	Original Investment Amount		Balance at the End of Year			Net Income (Loss) of Investee	Share of Profits / Losses of Investee	Remark
				Ending Balance for the Year	Ending Balance for Last Year	Number of Shares	Percentage of Ownership%	Carrying Amount			
K LASER Technology Inc.	K Laser China Group Co., Ltd.	British Virgin Islands	Reinvesting company	$ 860,508	$ 959,501	25,771,139	100	$ 2,479,353	$ 202,402	$ 200,572	
〃	K Laser International Co., Ltd.	British Virgin Islands	Reinvesting company	686,122	702,276	19,776,367	100	645,931	27,856	27,856	
〃	Optivision Technology Inc.	Hsinchu City	Production and sale of optical equipment and electronic parts and components	307,976	307,976	22,699,420	47	429,689	22,298	22,063	
〃	iWin Technology Co., Ltd.	British Virgin Islands	Reinvesting company	68,697	61,037	110,995	49	17,695	(15,848)	(7,140)	
〃	Wellcome Co., Ltd.	Yunlin County	Manufacturing, processing, purchase and sale of fluorescence paints and dyes	26,489	26,489	2,661,237	33	89,824	39,699	13,125	
〃	Everest Display Inc.	Hsinchu City	Production and sale of optical equipment and wireless communication machines and devices	304,698	301,198	12,767,856	39	43,097	(84,708)	(42,744)	
〃	Chun Yao Co., Ltd.	Hsinchu City	Research, development and sale of gastrointestinal endoscope	11,000	-	1,000,000	36	7,899	(8,530)	(3,101)	

K LASER Technology Inc.

Information on Investment in Mainland China

January 1 to December 31, 2015

Attachment 6

Unit: Foreign Currency in Thousands / NTD in Thousands

1. Investee's name, main business items, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, profit or loss for the year, recognized investment gains or losses, carrying amount of ending balance, amount received as dividends from investees, and the limitation on investments in Mainland China:

Name of Investee	Main Business Items	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of Beginning of the Period	Investment Flows		Accumulated Outflow of Investment from Taiwan as of End of Year	Percentage of Ownership %	Net Income (Loss) of Investee	Share of Profits (Losses)	Carrying Amount at End of Year	Accumulated Inward Remittance to Taiwan as of End of Year
					Outflow	Inflow						
Wuxi K Laser Technology Co., Ltd	Research, development and production of laser holography products, opto-electronic equipment and optoelectronic materials	$ 628,916 (RMB126,339)	Reinvestment in entities in China through existing entities in third territories	$ 219,599 (USD 6,690)	$ -	$ -	$ 219,599 (USD 6,690)	100	$ 34,796 (RMB 6,990)	$ 38,913 (RMB 7,817)	$ 788,311 (RMB158,359)	$ 86,234 (RMB17,323)
Dongguan K Laser Technology Co., Ltd	Production and sale of polyethylene and rigid polyvinyl chloride film and tinsel	824,461 (RMB165,621)	Reinvestment in entities in China through existing entities in third territories	67,587 (USD 2,059)	-	-	67,587 (USD 2,059)	100	181,269 (RMB 36,414)	181,269 (RMB 36,414)	1,297,730 (RMB260,693)	71,260 (RMB14,315)
Dongguan Rimei Laser Printing Co., Ltd. (Note 5)	Production and sale of color printed boxes and products and laser printed products	126,133 (RMB25,338)	Investment in entities in China through remittance from third territories	70,574 (USD 2,150)	-	-	70,574 (USD 2,150)	-	-	-	-	
Hunan Yongan Laser Technology Co., Ltd.	Research, development and production of laser paper, alumite and other novel environmentally-friendly packing materials and anti-counterfeiting products	223,014 (RMB44,800) (註二)	Reinvestment in entities in China through existing entities in third territories	-	-	-	-	49	39,645 (RMB 7,964)	19,429 (RMB 3,903)	176,659 (RMB 35,488)	18,931 (RMB 3,803)
Jiangsu Xinguang Laser Packing Materials Co., Ltd. (Former Jiangyin Xinguang Laser Packing Materials Co., Ltd.)	Production of special coated paper, decorative film and eco transfer paper	398,240 (RMB80,000) (註三)	Reinvestment in entities in China through existing entities in third territories	-	-	-	-	33	49,927 (RMB 9,903)	15,989 (RMB 3,212)	192,484 (RMB38,667)	

Name of Investee	Main Business Items	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of Beginning of the Period	Investment Flows		Accumulated Outflow of Investment from Taiwan as of End of Year	Percentage of Ownership %	Net Income (Loss) of Investee	Share of Profits (Losses)	Carrying Amount at End of Year	Accumulated Inward Remittance to Taiwan as of End of Year
					Outflow	Inflow						
Jiangyin Guangqun Laser Technology Co., Ltd.	Research and development of laser anti-counterfeiting packing technology, and processing of laser anti-counterfeiting plastic materials, film and card paper	49,780 (RMB10,000)	Reinvestment in entities in China through existing entities in third territories	-	-	-	-	30	(747) (RMB -150)	(224) (RMB -45)	18,822 (RMB 3,781)	
Everest Technology Ltd.	Research, development and production of large LCD projection display, optical engine for monitor and projection tube	227,086 (RMB45,618)	Reinvestment in entities in China through existing entities in third territories	49,336 (USD 1,503)	-	-	49,336 (USD 1,503)	16	(10,307) (USD -314)	(1,608) (USD -49)	40,408 (USD 1,231)	

2. Limits on Investments in Mainland China

Accumulated Investment in Mainland China as of End of Year	Investment Amounts Authorized by Investment Commission, Ministry of Economic Affairs	Limit on Investment Provided by Investment Commission, Ministry of Economic Affairs
$407,096 (USD12,402)	$1,982,105 (Note 4) (USD60,384)	(Note 1)

Note 1: Approved by the head office of the operation in accordance with regulations, the investment amount is not restricted to the limitation of 60% of net worth or NT$80,000 thousand.

Note 2: It includes investment of USD2,512 thousand in cash through entities located in third territories.

Note 3: It includes investment of USD3,705 thousand in cash through entities located in third territories.

Note 4: It includes earnings USD11,748 thousand transferred to investment.

Note 5: Stock rights invested has been disposed, but the amount approved has not been nullified at the Investment Commission.

3. Significant direct or indirect transactions with investees located in Mainland China:

Unit: USD in Thousands

Name of Related Party	Relation between the Company and the Related Party	Type of Transaction	Amount	Transaction Terms and Conditions			Notes and Accounts Receivable (Payable)		Unrealized Profit or Loss
				Price	Payment Terms	Comparison with General Transactions	Balance	Percentage (%)	
Wuxi K Laser Technology Co., Ltd	Subsidiary of which the 100% ownership is held indirectly by the Company	Sales	$ 3,853 (USD 122)	Price negotiation	Net 60 days from the end of the month when the invoice is issued	Similar	$ 1,082 (USD 33)	1	$ -
Dongguan K Laser Technology Co., Ltd	Subsidiary of which the 100% ownership is held indirectly by the Company	Sales	10,060 (USD 320)	Price negotiation	Net 60 days from the end of the month when the invoice is issued	Similar	1,269 (USD 39)	1	-

4. Amount of property transactions and profit or loss generated: None
5. Endorsement, guarantee or collateral provided by investees in Mainland China directly or through entities located in third territories: Attachment 2
6. Financings provided to investees in Mainland China directly or through entities located in third territories; None
7. Other transactions with a significant impact on income or financial status for the year: None

§Schedules of Significant Account Items§

K LASER Technology Inc.
Schedule of Cash and Cash Equivalent
December 31, 2015

Schedule 1 Unit: NTD in Thousands, and foreign currencies

Item	Description	Amount
Cash on hand and petty cash		$ 7,002
Deposits in bank	Current deposit－NTD	54,704
	Current deposit－USD 2,364,246	77,606
	Current deposit－EUR 134,445	4,824
	Current deposit－RMB 301,007	1,499
	Current deposit－HKD 1,393	6
	Current deposit－AUD 71	2
	Current deposit－JPY 21	-
		$145,643

K LASER Technology Inc.
Schedule of Financial Assets Measured at Fair Value Through Profit or Loss － Current
December 31, 2015

Schedule 2 Unit: NTD in Thousands

Name of Financial Instrument	Number of Units	Par Value (NTD)	Acquisition Cost	Fair Value	
				Unit Price (NTD)	Total
Bonds					
Well Glory Development Co. Ltd.	50,000	-	$ 5,000	98	$ 4,890
Funds					
Franklin U.S. Government Fund	18,060	-	6,257	360	6,497
CTBC Asia Pacific Multi Income Fund	500,000	-	5,000	10	5,014
Jih Sun Asian High Yield Bond	417,526	-	5,000	12	4,957
					$ 21,358

K LASER Technology Inc.
Schedule of Notes Receivable
December 31, 2015

Schedule 3 Unit: NTD in Thousands

Name of Customer	Description	Amount
Shirley Chemical Corporation		$ 1,699
Li Sheng Color Printing		744
Chiao Yu Color		469
Kae Cheang Industrial Co., Ltd.		282
Others (Note)		889
		$ 4,083

Note: Items with amounts not exceeding 5% of the account were consolidated.

K LASER Technology Inc.
Schedule of Accounts Receivable
December 31, 2015

Schedule 4 Unit: NTD in Thousands

Name of Customer	Description	Amount
FOILCOM LTD		$ 3,819
MURATA KIMPAKU		3,428
Environmental Protection Department, New Taipei City Government		2,816
Univacco Technology		2,743
Koan Hao Technology		2,337
CB-Ceratizit		2,247
PT. MITRA SAKTI CIPTAPERKASA		2,053
FOILCO LIMITED		1,524
Others (Note)		8,166
Less: Allowance for Doubtful Receivables		(3,030)
		$ 26,103

Note: Items with amounts not exceeding 5% of the account were consolidated.

K LASER Technology Inc.
Schedule of Other Receivables
December 31, 2015

Schedule 5 Unit: NTD in Thousands

Item	Description	Amount
Other receivables	Related party	$ 7,985
	Others (Note)	297
		$ 8,282

Note: Items with amounts not exceeding 5% of the account were consolidated.

K LASER Technology Inc.
Schedule of Inventories
December 31, 2015

Schedule 6

Unit: NTD in Thousands

Item	Cost	Market Price
Raw materials and supplies	$ 6,399	$ 5,900
Work in process	1,672	1,672
Finished goods	11,438	11,169
Merchandise	1,568	1,347
Less: Allowance for inventory valuation and obsolescence losses	(989)	-
	$ 20,088	$ 20,088

K LASER Technology Inc.
Schedule of Other Current Assets
December 31, 2015

Schedule 7 Unit: NTD in Thousands

Item	Description	Amount
Prepayment	Prepayment for purchases and insurance	$ 1,341
Temporary payment	Payment to employees in advance	588
Retained tax		587
		$ 2,516

K LASER Technology Inc.
Schedule of Changes in Financial Assets Measured at Cost — Noncurrent
2015

Schedule 8

Unit: NTD in Thousands / Share

Item	Amount at the Beginning of Year		Increase in the Year		Decrease in the Year		Balance at the End of Year			Guarantee, Pledge or Mortgage
	Number of Shares	Amount	Number of Shares	Amount	Pledge or Mortgage	Amount	Number of Shares	Ownership Held	Amount	
Minton Optic Industry Co., Ltd.	857,900	$ -	-	$ -	None	$ -	857,900		$ -	None
Chi Mei Visual Technology Corporation	4,800,000	30,055	-	-	-	-	4,800,000		30,055	〃
China Development Biomedical Venture Co., Ltd.	1,500,000	15,000	1,500,000	15,000	-	-	3,000,000		30,000	〃
		$ 45,055		$ 15,000		$ -			$ 60,055	

K LASER Technology Inc.
Schedule of Changes in Investments Measured with Equity Method
2015

Schedule 9

Unit: NTD in Thousands / Share

Item	Amount at the Beginning of Year		Increase in the Year		Decrease in the Year		Balance at the End of Year			Net / Market Price	Guarantee, Pledge or Mortgage
	Number of Shares	Amount	Number of Shares	Amount (Note 1)	Number of Shares	Amount (Note 2)	Number of Shares	Ownership held	Amount		
K Laser China Group Co., Ltd.	28,809,044	$2,437,102	-	$ 158,435	3,037,905	$ 116,184	25,771,139	100	$2,479,353	$2,495,055	None
K Laser International Co., Ltd.	20,298,978	634,775	-	27,310	522,611	16,154	19,776,367	100	645,931	655,315	〃
i Win Technology Co., Ltd.	98,745	16,302	12,250	7,660	-	6,267	110,995	49	17,695	20,558	〃
Optivision Technology Inc.	22,699,420	475,062	-	22,725	-	68,098	22,699,420	47	429,689	517,547	〃
Wellcome Co., Ltd.	2,661,237	81,704	-	13,442	-	5,322	2,661,237	33	89,824	89,824	〃
Everest Display Inc.	11,767,856	77,859	1,000,000	3,500	-	38,262	12,767,856	39	43,097	32,509	〃
Chun Yao Co., Ltd.	-	-	1,000,000	11,000	-	3,101	1,000,000	36	7,899	6,898	〃
		$3,722,804		$ 244,072		$ 253,388			$3,713,488	$3,817,706	

Note 1: It includes investment cost increasing in the year, investment gains or losses recognized with equity method, exchange difference from foreign currencies in the financial statements, and adjustment of changes in net worth.
Note 2: It includes cash dividends, returned capital after capital decrease, investment gains or losses recognized with equity method, and exchange difference from foreign currencies in the financial statements.

K LASER Technology Inc.
Schedule of Other Noncurrent Assets
December 31, 2015

Schedule 10 Unit: NTD in Thousands

Item	Amount
Restricted assets	$ 91,809
Refundable deposits	8,100
Returned income tax payable	79
Others	2,242
	$102,230

K LASER Technology Inc.
Schedule of Short-term Loans
December 31, 2015

Schedule 11

Unit: NTD in Thousands

Item	Description	Borrowed Amount	Contract Period	Interest Rate	Pledge or Mortgage
Short-term loans					
Hua Nan Bank	Unsecured loans	$ 50,000	2015.11.25~2016.2.25	1.2	None
E. Sun Bank	〃	50,000	2015.11.4~2016.2.2	1.2	〃
First Bank	〃	50,000	2015.11.16~2016.1.15	1.2	〃
Yuanta Bank	〃	30,000	2015.11.17~2016.1.13	1.2	〃
		$180,000			

K LASER Technology Inc.
Schedule of Notes Payable
December 31, 2015

Schedule 12 | Unit: NTD in Thousands

Item	Description	Amount
Nong Bao Enterprise Co., Ltd.	Payment for products	$ 10,507
Chin Shih Wei	Payment for products	1,306
Others (Note)	Payment for products	1,145
		$ 12,958

Note: Items with amounts not exceeding 5% of the account were consolidated.

K LASER Technology Inc.
Schedule of Accounts Payable
December 31, 2015

Schedule 13 Unit: NTD in Thousands

Item	Description	Amount
Nong Bao Enterprise Co., Ltd.	Payment for products	$ 3,646
Univacco Technology	〃	1,593
Yu Ling Industrial	〃	1,387
Shine Chi Co., Ltd.	〃	886
Blue Giant Inc.	〃	868
Others (Note)	〃	696
		$ 9,076

Note: Items with amounts not exceeding 5% of the account were consolidated.

K LASER Technology Inc.
Schedule of Other Current Liabilities
December 31, 2015

Schedule 14 Unit: NTD in Thousands

Item	Amount
Advance sales receipts	$ 2,524
Temporary credit	437
Tax withheld	113
	$ 3,074

K LASER Technology Inc.
Schedule of Other Noncurrent Liabilities
December 31, 2015

Schedule 15 | Unit: NTD in Thousands

Item	Description	Amount
Guarantee deposit	Guarantee deposit for lease	$ 942

K LASER Technology Inc.
Schedule of Operating Income
2015

Schedule 16 Unit: NTD in Thousands

Item	Description	Amount
Laser film		$372,701
Anti-counterfeit trademark		58,060
Laser paper		19,588
Others		58,279
		$508,628

K LASER Technology Inc.
Schedule of Operating Cost
2015

Schedule 17 | Unit: NTD in Thousands

Item	Amount
Direct raw materials	
Add: Materials at beginning of year	$ 9,860
Materials purchased in the year	100,063
Merchandise used	112
Less: Reversal to manufacturing expenses and operating expenses	(6,844)
Raw materials sold	(12,181)
Materials at end of year	(6,399)
Obsoleted inventories	(104)
Depletion of direct raw materials	84,507
Direct labor	12,610
Manufacturing expenses	92,191
Manufacturing cost	189,308
Add: Work in process at beginning of year	1,116
Less: Reversal to manufacturing expenses and operating expenses	(3,970)
Work in process at end of year	(1,672)
Cost of finished goods	184,782
Add: Finished goods at beginning of year	15,011
Less: Reversal to manufacturing expenses and operating expenses	(3,857)
Reversal to raw materials	(107)
Finished goods at end of year	(11,438)
Sales cost	184,391
Cost of merchandise sold	
Add: Merchandise at beginning of year	2,592
Purchases in the year	223,901
Add: Reversal to manufacturing expenses and operating expenses	(105)
Reversal to raw materials	(5)
Merchandise at end of year	(1,568)
Cost of merchandise purchased and sold	224,815
Raw materials sold	12,181
Obsoleted inventories	104
Total operating cost	$421,491

K LASER Technology Inc.
Schedule of Selling Expenses
2015

Schedule 18 Unit: NTD in Thousands

Item	Amount
Wages and bonuses	$ 10,677
Shipping expenses	3,545
Advertisement	1,978
Travel	1,778
Employees' benefits	1,559
Commission expenses	1,393
Others (Note)	4,928
	$ 25,858

Note: Items with amounts not exceeding 5% of the account were consolidated.

K LASER Technology Inc.
Schedule of Management Expenses
2015

Schedule 19 Unit: NTD in Thousands

Item	Amount
Wages and bonuses	$ 24,378
Rents	4,073
Employees' benefits	3,249
Service fees	2,651
Water, electricity and gas expenses	2,586
Others (Note)	14,804
	$ 51,741

Note: Items with amounts not exceeding 5% of the account were consolidated.

K LASER Technology Inc.
Schedule of Research and Development Expenses
2015

Schedule 20 Unit: NTD in Thousands

Item	Amount
Wages	$ 13,091
Research and test expenses	12,193
Depreciation	8,703
Water, electricity and gas expenses	2,826
Employees' benefits	2,061
Others (Note)	3,750
	$ 42,624

Note: Items with amounts not exceeding 5% of the account were consolidated.

6. Financial Distress in Company and Subsidiaries：None

Financial Status, Operating Results and Risk Management

1. Financial Analysis

Unit：NT $Thousands

Item \ Year	2015	2014	Difference Amount	Difference %	Notes
Current Assets	3,528,980	3,874,578	-345,598	-8.92%	
Non-current Assets	2,467,060	2,300,643	166,417	7.23%	
Total Assets	5,996,040	6,175,221	-179,181	-2.90%	
Current Liabilities	1,794,121	1,793,235	886	0%	
Long-term Liabilities	1,036,368	842,065	194,303	23.07%	Note 1
Total Liabilities	2,830,489	2,635,300	195,189	7.41%	
Capital	1,324,665	1,741,665	-417,000	-23.94%	Note 2
Additional Paid in Capital	408,627	496,707	-88,080	-17.73%	
Retained Earnings	724,695	716,055	8,640	1.21%	
Total Equity	3,165,551	3,539,921	-374,370	-10.58%	

Ratio Analysis:

Explanation for the change in financial ratios over 20% in last two years:

1. The 23.07% increase in Long-term Liability was due to the new syndication loan amounting to NTD 720 million.
2. The 23.94% decrease in Paid-in Capital was due to the cancellation of 41.7 million shares of Treasure Stock.

2. Operating Analysis

Unit：NT $Thousands

Item \ Year	2015	2014	Difference Amount	Difference %	Notes
Net Sales	4,056,697	4,215,580	-158,883	-3.77%	
Cost of Goods Sold	3,070,656	3,106,472	-35,816	-1.15%	
Gross Profit	986,041	1,109,108	-123,067	-11.10%	
+ (-): Realized (Unrealized) Gross Margin	26,866	12,964	13,902	107.24%	Note 1
Operating Expense	723,397	849,890	-126,493	-14.88%	
Operating Income	289,510	272,182	17,328	6.37%	
Non-Operating Revenue/Expense	-40,915	-42,873	-1,958	4.57%	
Income Before Tax	248,595	229,309	19,286	8.41%	
Tax Expense (Benefit)	-65,221	-36,612	-28,609	78.14%	Note 2
Cumulative Effect of Changes in Accounting Principles	0	0	0	0.00%	
Net Income	183,374	192,697	-9,323	-4.84%	

Ratio Analysis:

Explanation for the change in financial ratios over 20% in last two years:

1. The 107.24% increase of Realized Gross Margin was caused by the decrease of amount of unrealized inventory items.
2. The 78.14% decrease in Income Tax Expense was caused by the decrease of tax benefit in China and the increase of profit from Chinese subsidiaries.

3. Cash Flow Analysis

3.1 Cash Flow Liquidity Analysis

Unit：NT $Thousands

Beginning Cash on Jan 1,2015	Net Cash Flow from Operating Activities	Other Net Cash Flow	Cash Balance on Dec 31,2015	Contingency Plans for Insufficient Cash Position	
				Investment Plan	Financial Plan
1,106,260	713,929	(578,378)	1,241,811	—	—

2015 Cash Analysis

1. Net Cash in-flow from Operating Activities amounting to NTD 13,929K in 2015 is higher than that of 2014 was caused by the good collecting resulting of Chinese Subsidiaries.
2. Net Cash out-flow from Investing Activities amounting to NTD 334,297K was majorly caused by the increase of long-term investment in China amounting to NTD 253,942K.
3 Net Cash in-flow from Financing Activities amounting to NTD 218,074K was caused by buying back Treasure Stock amounting to NTD 363,587K.
4. The Cash Out-flow from the Effect on Changed in Exchange Rate in 2015 were NTD -26,007K.

3.2 Remedy for Cash Shortfall and Analysis of Cash Liquidity：Not Applicable

3.3 Analysis of Cash Liquidity for 2015

Unit：NT$ Thousands

Beginning Cash on Jan 1,2016	Projected Net Cash Flow from Operating Activities	Projected Net Cash Flow from Investing & Financing Activities	Projected Cash Balance on Dec 31,2016	Cash Plans for Projected Insufficient Cash Position	
				Investment Plan	Financing Plan
1,241,811	328,067	(276,720)	1,293,158	—	—

The projected net cash inflow in 2016 mainly consists of cash inflow from ordinary operation. The projected cash out flow from investing and financing activities includes cash dividend, repayment of bank loans and investment for equipment. The cash inflow from operating activities is sufficient to meet the cash requirement for investing and financing activities.

4. Major Capital Expenditure Analysis

4.1 Major Capital Expenditure and Its Source of Capital

Unit：NT$ Thousands

Planning Items	Actual or Planned Sourced Capital	Actual or Planned Completion Date	Total Amount Capital Required	The Execution of Actual or Planned Major Capital Expenditure				
				2016	2015	2014	2013	2012
UV equipment and production process for deep structure pattern	Own Capital	Dec 31,2016	16,970	10,000	510	6,460	600	350
The wide Seamless holographic origination and production process	Own Capital	Dec 31,2016	26,020	10,250	15,770	--	--	--
Hologram seamless electroforming equipment And production processes	Own Capital	Dec 31,2015	12,260	--	12,260	--	--	--

4.2 Estimated potential Benefits

4.2-1 UV equipment and production process for deep structure pattern

The holographic technique which is micro structure is mature in K Laser. The Optical effect is different from the deep structure. There are another applications with the deep structure Optical film. We develop the UV equipment and production process for deep structure pattern. It will increase value added products and will be more competitive in the market.

4.2-2 The wide Seamless holographic origination and production process

(1) Improve the efficiency of drum seamless recording.

(2) Provide the wide seamless holographic to open up the new market.

(3) The wide seamless process can lower the cost and improve the competitiveness of our products.

4.2-4 Hologram seamless electroforming equipment and production processes:

(1) Proximity to enhance power capacity version seam casting manufacture.

(2) Provide no version of the seam diversification electroformed products to expand into new market demands.

5. Long-Term Investment Analysis

5.1 Investment Policy:

The investment of the Company mainly focuses on the core related business. Through the integrating of up – and down-stream industries, we can expand the market base, decrease the cost of product and enhance the operating efficiency. The Company still focuses its investment in China. The Company continuously cooperates with the Chinese partners to leverage their market strength to apply the Company’s product into the packaging market. The Company also cooperates with its investee companies to develop the new material, lower the operating cost, and improve the product quality.

5.2 Recent status of Investment Gaines or Loses and improvements:

In 2015 the Company has recognized the other operating revenue from investee companies amounted to NT 1,108 thousand dollars, which is NT 48,309 thousand dollars decreased in comparison with NT 49,417 thousand dollars in 2014. It is mainly from recognition of investment loss from associate, Everest Display Inc. In response to this situation, the Company will enhance its management on the associate company to improve the operating efficiency.

5.3 Investment plan in 2016:

Owing to the slowing China’s economy and the policy of fighting extravagance, the Company slows down its pace of investment in China in 2016. Currently, the Company will maintain the existing investment and continuously cooperate with the strategic partners to explore the market and develop new product. In order to explore the Southeast Asia market, the company plan to establish a sales office in Indonesia by joint venture with local sales agents in 2016.

6. Risk Management Analysis & Evaluation

6.1 Management of Economic Risk：Interest Rate Risk, Foreign Exchange Risk, Inflation

In 2015, the interest expense of the Company is NT 33,751 thousand dollars, and foreign exchange gain is NT 13,763 thousand dollars. The Company periodically evaluates bank interests and considers the financial derivatives to hedge the interest rate variation. As to the exchange rate, the Company collects the global finance information and the information for the foreign exchange rate variation from time to time and deals the foreign exchange transaction by the policy and tightly supervises the whole transaction flow.

6.2 Management of Financial Risk

6.2-1 High Risk of Financial Transactions：

To control financial risk, the Company is not engaged in high risk and high leveraged financial investment. To control transaction risk, the Company regulates the by-law in compliance with F.S.C.'s relevant rules. It is also the regulation for internal control to supervise the finance and operation. For derivative products transactions, the Company shall comply with the by-law, Procedures for Derivative Products Transactions.

6.2-2 Status of Endorsement and Guarantee：

Pursuant to the Procedures for Making Endorsement and Guarantees made by the Company, the status of endorsement and guarantees is shown as below:

Unit：Thousands

Name	Relationship	2015	Mar 31, 2016
K Laser China Group Holding Co., Limited	KLT indirect investment by holding 99.603% company	USD 11,000	USD 14,000
K Laser Technology (USA) Co., Ltd.	KLT indirect investment by holding 80% company	USD 1,500	USD 1,500

6.2-3 Status of Lending of Capital by the Company：

Rule by "Procedures for Lending Funds to Other Parties".

Unit：Thousands

From	To	Relation	2015	Mar 31, 2016
K laser Technology Inc.	Everest Display Inc.	KLT direct investment by holding 39%company	TWD 50,000	TWD 60,000

6.3 Upcoming Research & Development Plans and Estimates Investments

Unit：NT$ Thousands

Items	R&D Projects	Expenditure	Estimated Mass Production
1	UV equipment and production process for deep structure pattern	10,000	Dec. 2016
2	The wide Seamless holographic origination and production process	10,250	Dec. 2016

6.4 Political and Regulatory Environment：None

6.5 Technological Development Risk：None

6.6 Safety, Health and Environment Protection：None

6.7 Mergers and Acquisition：None

6.8 Factory Building Expansions and expected benefits of expansion, potential risks and mitigation：Increase drums electroforming manufacturing process yield and process stability

6.9 Procurement and Sales Concentration：None

6.10 Large Changes by Director, Supervisors, or Shareholders with Greater than 10%：None

6.11 Change in Operational Control：None

6.12 Litigious or Non-Litigious Matters：None

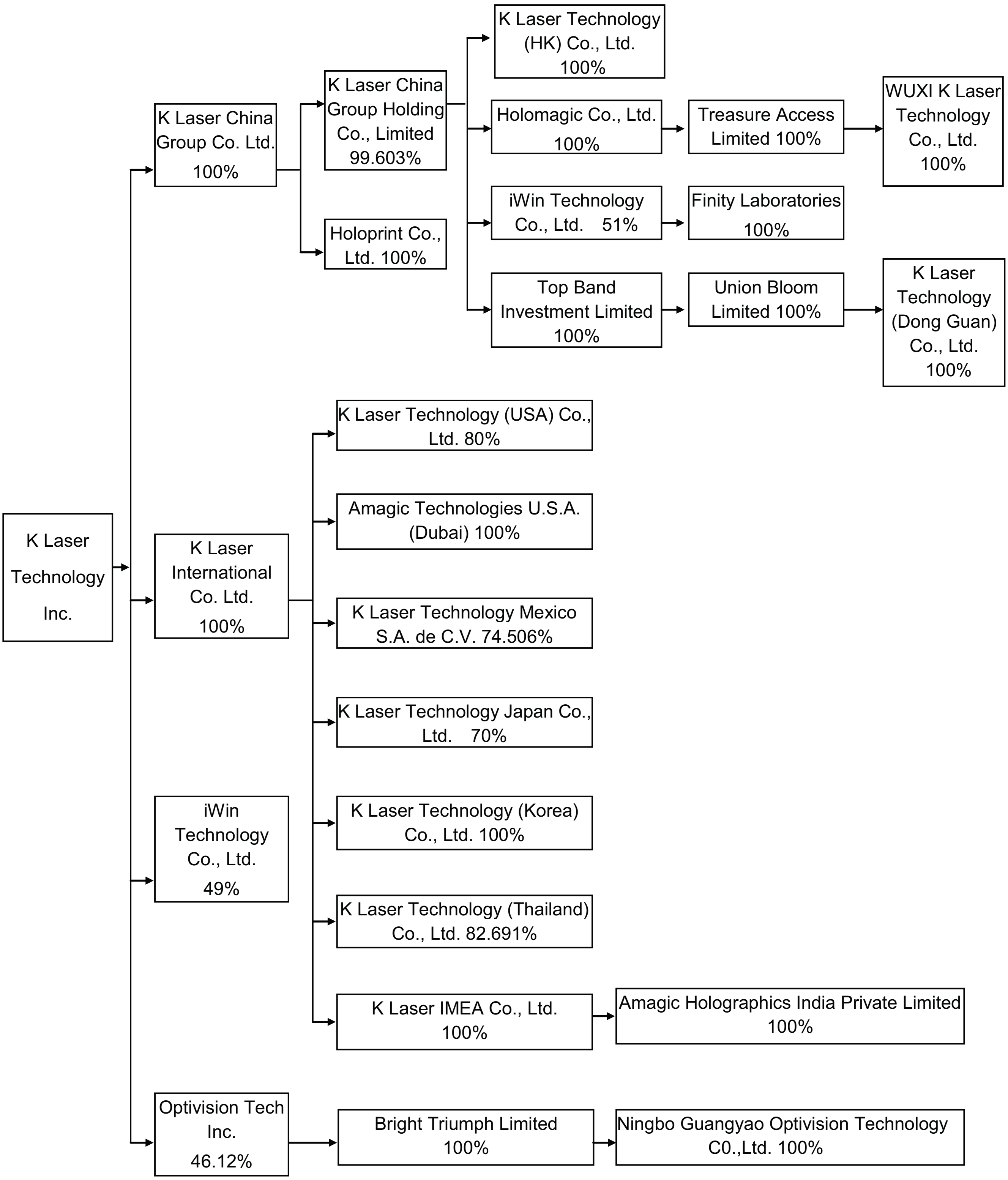
6.13 Risk from Other Important Issues：None

7. Other Material Events：None

Special Disclosures

1. Affiliates Information

1.1-1 Group Brief Introduction



1.1-2 Background Information of the Affiliated Companies

Unit: Original $Thousands 2015/12/31

Entity	Date of Incorporation	Address	Capital		Main Operation or Business Items
K Laser China Group Co., Ltd.	2000/10/31	P.O. Box 957, Road Town, Tortola, British Virgin Islands.	RMB$	404,246	Investment Business
Holoprint Co., Ltd.	2000/09/29	P.O. Box 957, Road Town, Tortola, British Virgin Islands.	US $	1	Investment Business
K Laser China Group Holding Co., Limited	2008/01/03	190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands.	RMB $	217,037	Investment Business
iWin Technology Co., Ltd	2005/03/22	Jipfa Building, 3th Floor, Main Street, Road Town, Tortola, British Virgin Islands.	US $	4,530	Investment Business
Finity Laboratories	2001/11/16	922 San Leandro Ave., Suite D, Mountain View, California 94043 U.S.A..	US $	700	R&D of Holographic Technology
K Laser Technology (HK) Co., Ltd.	2000/06/28	No. 6, 1/F, Trust Centre, 912 Cheung Sha Wan Road, Kowloon, Hong Kong.	HK $	1,284	Sales of Holographic Products
Holomagic Co., Ltd.	2000/09/29	P.O. Box 957, Road Town, Tortola, British Virgin Islands.	RMB $	83,813	Investment Business
Treasure Access Limited	2007/11/28	Unit 901, 9/F.,Times Tower, 928-930 Cheung Sha Wan Road, Lai Chi Kok, Kowloon, Hong Kong.	RMB $	37,066	Investment Business
WUXI K Laser Technology Co., Ltd.	2000/12/29	#60Segmen, Changjiang road Wuxi New District Zone, Wuxi Jiangsu, China.	RMB $	126,339	Production and Sales of Holographic Products
Top Band Investment Ltd.	2007/09/13	4th Floor, Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands.	RMB $	130,106	Investment Business
Union Bloom Limited	2007/11/28	Unit 901, 9/F.,Times Tower, 928-930 Cheung Sha Wan Road, Lai Chi Kok, Kowloon, Hong Kong.	RMB $	177,857	Investment Business
K Laser Technology (Dong Guan) Co., Ltd.	2001/09/07	Da Hsui Hu Area, Da Pian Mei Village, Daling Shang, Dong Guan City.	RMB $	165,621	Production and Sales of Holographic Products
K Laser International Co., Ltd.	2000/10/31	P.O.Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.	US $	19,776	Investment Business
K Laser Technology (USA) Co., Ltd.	1993/02/18	3123 W. MacArthur Blvd. Santa Ana, CA ,USA.	US $	7,527	Sales of Holographic Products
Amagic Technologies U.S.A. (Dubai)	1996/12/03	Jebel Ali Free Zone RA/08 VA-05 P.O.Box 61306 Dubai, UAE..	AED $	913	Sales of Holographic Products
K Laser Technology Mexico S.A. de C.V.	2001/09/07	164 Maquiladores St. / Parque Industrial el Chichimeco, Municipio de Jesús María, Aguascalientes, Mexico / ZIP 20900		Note	Production and Sales of Holographic Products
K Laser Technology Japan Co., Ltd.	2003/07/11	1-6-43, Tunoda Higashi-Osakashi, Osaka Japan 578-0912	JPY $	96,000	Production and Sales of Holographic Products
K Laser Technology (Korea) Co., Ltd.	2002/08/26	464-1 Hyeongok-Ri, Cheongbuk-Myeon, Pyeongtak-City, Gyeonggi-Province, Korea 451-831	KRW $	2,685,000	Production and Sales of Holographic Products
K Laser Technology (Thailand) Co., Ltd.	1995/12/18	111/89 Moo 7 Bangchalong, Bangplee, Samutprakarn 10540, Thailand	THB $	112,200	Production and Sales of Holographic Products
K Laser IMEA Co., Ltd.	2003/07/03	Suite 802, St James Court St Denis Street, Port Louis, Mauritius	US $	3,050	Investment Business
Amagic Holographics India Private Limited	2003/07/11	B-74 Ambad MIDC Industrial Area, Ambad, Nashik 422010	INR $	109,156	Production and Sales of Holographic Products
Optivision Tech Inc.	2004/07/14	3F,No. 1, Li Hsin Rd. VI, Science-Based Industrial Park, Hsinchu, Taiwan30078, R.O.C.	NT $	482,996	Production and R&D of Optical Prism Film
Bright Triumph Limited	2008/03/26	Level 3, Alexander House, 35 Cybercity, Ebene,Mauritius	US $	5,258	Investment Business
Ningbo Guangyao Optivision Technology C0.,Ltd.	2008/05/28	N0.6 West Road Lushan Bonded Southern District,Ningbo Free Trade Zone	RMB $	33,607	Production of Optical Prism Film

Note: K Laser Technology Mexico S.A. de C.V. had been sold in May 2015.

1.1-3 Information Regarding Same Shareholders of Affiliated Companies Who Is Deemed to Have Control or Subject to Significant Influence：None

1.1-4 Directors, Supervisors, and Presidents of the Affiliated Companies

2015/12/31

Entity	Title	Name of the Representation	Shareholding	
			Shares	Holding (%)
K Laser China Group Co., Ltd. (KLCN)	Director (K Laser)	Alex Kuo	25,771,139	100.00%
Holoprint Co., Ltd.	Director (KLCN)	Alex Kuo	1	100.00%
K Laser China Group Holding Co., Limited (KLCG)	Director (KLCN)	Alex Kuo	102,901,766	99.603%
	Director (KLCN)	C. L. Kuo		
	Director (KLCN)	Vincent Tsai		
iWin Technology Co., Ltd	Director (K Laser)	Alex Kuo	110,995	49.00%
	Director (KLCG)	Alex Kuo	115,525	51.00%
Finity Laboratories	Director (iWin)	Alex Kuo	700,000	100.00%
	GM (Note)	Wai Hon Lee	0	0%
K Laser Technology (HK) Co., Ltd.	Director (KLCG)	Alex Kuo	1,283,500	100.00%
	Director	Daniel Kuo		
	GM	Tong Chin Tai		
Holomagic Co., Ltd.	Director (KLCG)	Alex Kuo	30,000	100.00%
Treasure Access Limited	Director (Holomagic)	Alex Kuo	10,000	100.00%
WUXI K Laser Technology Co., Ltd.	Chairman (Treasure Access)	Daniel Kuo	－	100.00%
	Director	Alex Kuo		
	Director & GM	C. L. Kuo		
	Supervisor	Mark Chen	－	－
Top Band Investment Ltd.	Director (KLCG)	Alex Kuo	50,000	100.00%
Union Bloom Limited	Director	Alex Kuo	10,000	100.00%
K Laser Technology (Dong Guan) Co., Ltd.	Chairman (Union Bloom)	James Kuo	－	100.00%
	Director	Daniel Kuo		
	Director & GM	C. L. Kuo		
	Supervisor	Mark Chen	－	－
K Laser International Co., Ltd.	Director (K Laser)	Alex Kuo	19,776,367	100.00%
K Laser Technology (USA) Co., Ltd.	Chairman (International)	Alex Kuo	6,500,000	80.00%
	Director	Daniel Kuo		
	Director	Shiro Murata	1,625,000	20.00%
	Acting General Manager	Sammy Chen	－	－
Amagic Technologies U.S.A (Dubai)	Chairman (International)	Alex Kuo	－	100.00%
	Director & GM	Joseph Habchi	－	－
K Laser Technology Mexico S.A. de C.V.	Note	－	－	－
K Laser Technology Japan Co., Ltd.	Chairman (International)	Daniel Kuo	1,344	70.00%
	Director	Alex Kuo		
	Director	James Kuo		
	Director	Shiro Murata	576	30.00%
	Director & GM	Jun Murata		
	Supervisor	Hiroaki Soejima	－	－
K Laser Technology (Korea) Co., Ltd.	Chairman (International)	Daniel Kuo	432,607	80.56%
	Director	Alex Kuo		
	Director & GM	Pen Cheng		
	Supervisor	Howard Chen	－	－
K Laser Technology (Thailand) Co., Ltd.	Chairman (International)	Alex Kuo	9,277,984	82.69%
	Director	S. L. Yang	202,998	1.81%
	Director	Ms.Yupha Purima	1	0%
	Director & GM	Simon Fwu	1,000,000	8.91%
K Laser IMEA Co., Ltd.	Director (International)	Alex Kuo	3,050,390	100.00%

Entity	Title	Name of the Representation	Shareholding	
			Shares	Holding (%)
Amagic Holographics India Private Limited	Director (IMEA)	Alex Kuo	10,915,954	100.00%
	Director	Daniel Kuo		
	Director & GM	K. C. Yuan		
Optivision Tech Inc.	Chairman & GM	Daniel Kuo	720,937	1.49%
	Director (K Laser)	Alex Kuo	22,699,420	47.00%
	Director	James Kuo	42,039	0.09%
	Director	Shr-Yang Chen	−	−
	Independent Director	Yuan-Shi Chiou	−	−
	Independent Director	Ruei-Dang Jang	−	−
	Independent Director	Mong-Ou Yang	−	−
Bright Triumph Limited	Director (Optivision)	Daniel Kuo	5,257,517	100%
Ningbo Guangyao Optivision Technology C0.,Ltd.	Director (BTL)	Daniel Kuo	−	100%
	GM	Chi-Di Hung	−	−

Note: Wai Hon Lee is removed as GM in 2016.03, at the same time, that Michael T. Iimura is appointed.

1.1-5 Operating Highlights of the Affiliated Companies

Financial Status and Operating Results

Unit：NT$ Thousands 2015/12/31

Entity	Capital	Total Assets	Total Liabilities	Net Worth	Sales	Operating Income	Net Income (After Tax)	EPS (NT$) (After Tax)
K Laser China Group Co., Ltd.	2,012,336	2,495,055	-	2,495,055	-	-674	202,402	7.85
Holoprint Co., Ltd.	-	-	-	-	-	-	-	-
K Laser China Group Holding Co., Limited	1,080,409	2,660,618	156,000	2,504,618	0	-2,863	202,729	1.97
iWin Technology Co., Ltd	148,710	41,955	0	41,955	0	-16,250	-15,848	-69.96
Finity Laboratories	22,978	27,995	1,420	26,575	17,181	-15,716	-98	-0.14
K Laser Technology (HK) Co., Ltd.	5,436	57,527	11,095	46,432	133,852	-8,484	7,761	6.05
Holomagic Co., Ltd.	417,221	1,303,780	15,010	1,288,770	30,770	-8,118	47,674	1,589.12
Treasure Access Limited	184,513	1,282,484	2,711	1,279,773	0	-33	55,360	5,536.00
WUXI K Laser Technology Co., Ltd.	628,914	972,415	156,977	815,438	904,966	42,614	34,796	不適用
Top Band Investment Ltd.	647,666	1,331,970	29,472	1,302,498	178,216	-2,877	170,566	3,411.32
Union Bloom Limited	885,374	1,297,791	9,063	1,288,728	0	0	173,463	17,346.32
K Laser Technology (Dong Guan) Co., Ltd.	824,460	1,508,354	210,622	1,297,732	1,337,924	203,036	181,269	不適用
K Laser International Co., Ltd.	649,159	666,484	11,168	655,316	0	-5,098	27,856	1.41
K Laser Technology (USA) Co., Ltd.	247,071	167,912	48,175	119,737	301,817	7,803	8,994	1.11
Amagic Technologies U.S.A. (Dubai)	6,881	77,844	23,757	54,087	118,943	10,704	5,941	不適用
K Laser Technology Mexico S.A. de C.V. (註)	-	-	-	-	-	-	-	-
K Laser Technology Japan Co., Ltd.	26,179	149,679	36,521	113,158	156,293	337	-328	-170.99
K Laser Technology (Korea) Co., Ltd.	75,462	56,020	20,874	35,146	56,647	-12,981	-14,804	-27.57
K Laser Technology (Thailand) Co., Ltd.	102,618	351,289	48,382	302,907	247,773	34,709	32,956	2.94
K Laser IMEA Co., Ltd.	100,129	67,976	4,113	63,863	2,014	-42	9,486	3.11
Amagic Holographics India Private Limited	82,328	56,804	8,993	47,811	46,311	4,653	7,123	0.65
Optivision Tech Inc.	482,996	1,327,666	392,283	935,383	1,101,407	34,943	22,298	0.46
Bright Triumph Limited	158,873	111,283	70,653	40,630	179,189	-15,366	-13,483	-2.56
Ningbo Guangyao Optivision Technology C0.,Ltd.	169,883	109,583	69,577	40,006	174,857	-15,063	-13,521	不適用

Exchange Rate：

$ 1 USD=$ 32.825 NT　　$ 1 EUR=$ 35.88 NT

$ 1 HKD=$ 4.235 NT　　$ 1 RMB=$ 4.9780 NT

$ 1 JPY=$ 0.2727 NT　　$ 1 DHS=$ 8.9368 NT

$ 1 THB=$ 0.9146 NT　　$ 1 KRW=$ 0.0281 NT

$ 1 INR =$ 0.4995NT

1.2 Consolidated Financial Statements: Please Refer to KLT’s Consolidated Financial Statements.

2. Private Placement Securities in the Most Recent Years：None

3. K Laser Shares Held or Sold by its Subsidiaries：None

4. Other Necessary Supplements：None

Major items to affect equity or stock price

Major Items to Affect Equity or Stock Price：None

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Exchangeable Bond Exchange Marketplace

Marketable Security : None

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光群雷射科技股份有限公司
K LASER TECHNOLOGY INC.

負責人 / Chairman：郭維武 / Alex Kuo

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